



WASHINGTON NONPROFITS

WE MAKE SURE NONPROFITS HAVE WHAT THEY NEED TO SUCCEED.

Washington Nonprofits Position on Raising the Overtime Threshold in Washington State

Washington Nonprofits supports efforts to raise compensation for employees of nonprofit organizations in Washington state. We recognize that in many industries, the important work being done by nonprofits is undervalued. In order to work over the long term to improve wages and salaries in the nonprofit sector, Washington Nonprofits works to educate public and private funders about the true costs of providing community services and works to identify new revenue sources to increase nonprofit sustainability.

Washington Nonprofits works to help our partners better understand how nonprofits operate and the constraints they face. Some public and private leaders are unfamiliar with how nonprofits work and the limitations placed on them by their funding sources. We work to help public and private partners understand the challenges associated with running nonprofits and the types of investment that strengthen our sector.

- **Nonprofits are people-driven organizations.** Typically, staffing is the largest expense in nonprofit budgets. Therefore, increases in labor costs hit nonprofits particularly hard.
- **Nonprofits have been doing more with less for many years.** Most nonprofits have worked hard to fundraise to maintain services even as costs increase and many revenue sources are flat.
- **We can't expect private philanthropy to fill the gap.** Charitable giving, particularly to human services, may decline because of the 2017 federal tax reform. In addition, philanthropy sources generally refuse to fully fund administrative costs.
- **Most nonprofits operate on a thin margin and have very little financial reserves.** Our nonprofits have been under-resourced—starved—for many years. An economic recession or other environmental factors could be devastating for our sector. In order to ensure that nonprofits can continue to serve our communities, we need to improve their financial stability.

Washington Nonprofits works to provide timely information to nonprofits so that they can adapt to a changing operating environment. This includes demographic and economic trends, policy changes, trends in charitable giving, etc. In addition, we provide compliance education so that nonprofits can operate legally.

Ways to Improve the Overtime Threshold Policy Proposal

With regard to the current rulemaking process by the Washington State Department of Labor and Industries, we believe the following points are worthy of consideration. We look forward to participating in discussions with our partners to address some of these concerns to improve the rule.

- 1. Work with other state agencies to secure a commitment to raising contract rates to account for the increased cost of doing business, and to escalate on a similar schedule to wages in Washington State.** If this state wants to show leadership in this area, it is important that state government commits to raise its contract reimbursement rates to cover the increasing costs of service delivery. This will not help all nonprofits, but it will help many that serve vulnerable populations, preventing service cuts. In addition, it sends a message that the state values its partnership with nonprofits and recognizes that it should not exploit its contractors. Policymakers should adjust the implementation schedule to reflect the timeline on which this will be accomplished (e.g. sync with the new biennial budget).
- 2. Set the threshold at a reasonable level, recognizing that even the lower threshold proposed is a big stretch for most nonprofits, particularly those based outside King County.** Because nonprofits are so diverse, there is no consensus about a threshold level that is acceptable or recommended.
- 3. Phase in the new threshold over time to give nonprofits time to adjust.**
- 4. Include a provision for prorating the salary threshold for part-time exempt staff.**
- 5. Develop provisions that address the seasonal nature of some nonprofit work.** The only policy solution that has been suggested to us would be an overtime threshold for the year rather than the week, e.g. over 2080 hours work in a one-year period would be eligible for overtime. We are unclear whether this is a viable option to consider.
- 6. Credit organizations for the value of benefits offered to employees to ensure that organizations don't shift benefits costs to employees or eliminate benefits in order to have the funds to pay increased salaries and/or overtime.**
- 7. Once the rule is finished, partner with the nonprofit community to deliver compliance trainings statewide.** Nonprofits run with very lean administrative staff, and often human resources compliance falls on the Executive Director or another staff person without specialized training in HR. Nonprofits need guidance and education regarding employment rules in general, so education about the new rule can be wrapped in with education about other key issues such as the distinctions between independent contractors and staff, exempt vs. non-exempt staff, the rules surrounding "comp time" and how/when it can be utilized, and implementation of the new parental leave program.

This position paper is informed by the Overtime Pay Rule Making survey conducted by Washington Nonprofits in December 2018. The full survey report is available at <https://washingtonnonprofits.org/overtimereport/>.