



**UNITED
NEIGHBORHOOD
HOUSES**

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**Testimony of United Neighborhood Houses
Before the New York City Council Committee on Contracts
Council Member Julie Won, Chair**

Oversight - Evaluating Progress of Reforms to Accelerate Nonprofit Contract Payments

**Submitted by Nora Moran, Director of Policy and Advocacy
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Thank you, Chair Won and members of the New York City Council, for the opportunity to testify. United Neighborhood Houses is a policy and social change organization representing neighborhood settlement houses that reach 765,000 New Yorkers from all walks of life.

A progressive leader for more than 100 years, UNH is stewarding a new era for New York's settlement house movement. We mobilize our members and their communities to advocate for good public policies and promote strong organizations and practices that keep neighborhoods resilient and thriving for all New Yorkers. UNH leads advocacy and partners with our members on a broad range of issues including civic and community engagement, neighborhood affordability, healthy aging, early childhood education, adult literacy, and youth development. We also provide customized professional development and peer learning to build the skills and leadership capabilities of settlement house staff at all levels.

This testimony will share perspectives on the progress of payment reforms to nonprofit contractors, as well as feedback on several of the pieces of legislation considered by the committee in this hearing.

Background

New York City relies on nonprofit human service providers to serve New Yorkers in need, from prenatal care for expecting parents, to early childhood education, to afterschool programs and in-school support, to summer camp, to youth workforce development programs like the Summer Youth Employment Program (SYEP), to college preparedness and college retention, to adult literacy and adult education programming, to adult workforce development, to aging services like Older Adult Centers (OACs) and services that allow older adults to age in place like Naturally Occurring Retirement Communities (NORCs). Further, New York City relies on these same nonprofits to help New Yorkers meet their basic needs, including housing supports, mental health programming, benefit and entitlement navigation services, legal assistance, food access, home delivered meals, transportation—the list goes on and on.

Despite this, human services workers in New York City are grossly underpaid, and that dynamic is driven by insufficient funding in government contracts. Across UNH's network of settlement houses in New York City, 76% of their total budget comes from government sources, and 65% of that is from New York City. Contracts from New York City often do not include sufficient funding to pay workers a fair and dignified wage. UNH conducted a survey that found that the household income of 63% of full-time settlement house staff was less than \$50,000 per year.

Wages have failed to keep up with both inflation and changes to the job market, and as a result the human services sector continues to sit on the cliff of a staffing crisis. On average, more than a third (35%) of UNH settlement house members reported double-digit job vacancy rates of 10% or higher in 2023, up from 31% the previous year, and nearly two-thirds (65%) of UNH settlement house members reported that job positions remained vacant for 3 months or more in the past year, including 14% who said that positions remained vacant for 6 months or longer.

In recognition of these challenges, the Adams Administration and City Council invested \$150 million over three years for a Workforce Enhancement Initiative for human services organizations, and \$741 million over three years for Cost Of Living Adjustments for human services workers. We thank the Council for consistently fighting for this workforce, and for taking tangible action to improve their economic conditions.

Overall, delayed contracting processes make it extremely challenging for human services organizations to operate effectively and focus on their mission—to serve New Yorkers in need. The transition of nonprofit human services contracts to PASSPort has not been without its challenges, and settlement houses have reported payment pauses and delays as a result. While some of this was necessary to transfer contracts from HHS Accelerator to PASSPort, the process was still disruptive to organizational cash flow.

Despite being in the middle of a major systems migration, the Mayor's Office of Contract Services (MOCS) faces budget cuts that will undoubtedly make a hard situation worse. MOCS proposed FY25 budget is \$17.4 million less than the previous fiscal year. MOCS faces having 18 less staff positions, as well as cuts to the PASSPort maintenance contracts. These cuts will likely trickle down to human services organizations via less support from MOCS staff, longer processing times, and potential delays in executing contract changes or investing new funds, like the COLA. If we are to address contracting and payment delays, we need a strong MOCS with all the tools at their disposal to address problems and improve systems.

Intro 508-2024

Intro 508-2024 would require the Procurement Policy Board to create a process for City agencies to inform vendors and MOCS of the reason for any late payment, with an aggregate report from MOCS on these late payments issued every six months. This bill would help demystify an already opaque process, as settlement houses often report delays in the overall contracting and payment process, with little reason or explanation from the contracting agency for the delays. The extra transparency will help pinpoint reasons for payment delays, and ensure that the right attention is given to resolve issues quickly and address any systematic barriers that might be causing chronic late payments.

UNH supports Intro 508-2024.

Intro 514-2024

Intro 514-2024 would require interest to be paid on late payments made by the City to nonprofit contractors. For years, late payments have forced nonprofits into a vicious cycle of drawing down lines of credit while waiting to get paid by the City for work already completed. Interest is often charged on these lines of credit, and it is rarely reimbursable by the City. Additionally, not every organization is also able to find a lender that will give them a loan. Though there are low or no interest loans available from the Fund for the City of New York, not every organization always qualifies for those loans. The City should address the root cause of this problem—slow processes that result in late payments—rather than use a bandaid of a loan to temporarily fix the problem.

In order for the City to change its behavior and pay on time, there must be a consequence for late payments. Interest payments are one way to achieve that. However, it is crucial that the interest payments do not come out of a program budget's bottom line. Part D of Intro 514-2024 gives the City an "out" if there isn't enough funding available:

"If any interest payment required pursuant to this section is made from amounts appropriated for program purposes such that it reduces the amount available to be spent on the program, the contracting agency shall notify the council in writing of the amount of such reduction and the reason why other funding could not be used for such interest payment."

The City should not be able to reduce services to New Yorkers to pay interest due to their poor performance. Separate funding should be made available should the City fail to pay on time.

It is also important that City agencies not be able to encourage providers to waive their right to collect interest on late payments. There is a similar rule in place at the state level, that gives agencies and providers the ability to mutually waive the right to this interest funding (located in State Finance Law section 179-v part 7). In practice this is used often, as agencies tend to pressure CBOs into agreeing to sign that waiver. CBOs often comply, since they do not want to antagonize their funder or risk further payment delays. While this issue is not addressed in Intro 514-2024, we could foresee this leading to a similar problem, where City agencies can just waive the interest payments by citing their preexisting budget levels. We urge the Council to explore legal remedies to address this potential situation.

UNH supports Intro 514-2024.

Intro 801-2024 and Intro 803-2024

Intro 801-2024 would require City agencies to provide a written rationale for denying a proposed subcontractor for a given project. Intro 803-2024 would require the Procurement Policy Board to issue rules allowing vendors to protest a procurement decision made by a City agency. Both bills will increase transparency in the procurement process, an important goal to ensure that organizations of all sizes can competitively bid on City contracts and understand why their bid may not have been successful.

UNH supports Intro 801-2024 and Intro 803-2024.

Thank you for your time. For any questions, I can be reached at nmoran@unhny.org.