



**Testimony of United Neighborhood Houses
Before the New York City Council Committees on Contracts and Children & Youth
Council Member Julie Won, Chair
Council Member Althea Stevens, Chair**

Oversight: Examining Late Payments to Human Service Providers

**Submitted by Kate Connolly, Senior Policy Analyst
April 30, 2025**

Thank you, Chair Won, Chair Stevens and members of the New York City Council, for the opportunity to testify. My name is Kate Connolly, and I am Senior Policy Analyst at United Neighborhood Houses (UNH). UNH is a policy and social change organization representing neighborhood settlement houses that reach 800,000 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.

UNH thanks the Council for its dedicated advocacy on behalf of and alongside the human services workforce. However, human services providers continue to be plagued by contracting delays, extremely late payments, and bureaucratic obstacles that make running programs nearly impossible, and this is having a tangible impact on services when they are needed now - more than ever. When community-based organizations are owed funding on multiple contracts across multiple agencies, this issue is exacerbated. In a recent *City & State* article, the scale of this issue was highlighted by the results of a member poll revealing that the City owes \$92.4 million to 16 UNH members¹. We urge the Council to address these urgent contracting issues so nonprofits can get back to what they do best - serving their communities.

¹ *United Neighborhood Houses' members owed \$92.4 million.* City & State NY.
<https://www.cityandstateny.com/nyn-media/2025/04/united-neighborhood-houses-owed-889-million/404535/>. April 14, 2025.

Contracting Delays

We greatly appreciate the Council for speaking out about the problems of procurement issues, and advocating that the Administration prioritize and accelerate payment to the sector. The current system is unacceptable and we need urgent action.

Background

Despite relying on nonprofit organizations to provide many critical services, New York City is not always a good partner. Many contract budgets are out of date, and do not fully cover the true cost of services. In addition payments are regularly late, including so called “advances” that arrive well into the new fiscal year. While we appreciate the various citywide initiatives to clear backlogs and reduce delays – including the one announced yesterday by the Mayor to increase advance payments for FY26 – those were temporary fixes, leaving nonprofit contractors to still battle payment delays.

A recent [report](#) from the NYC Comptroller found that 80% of nonprofit contracts were registered late (after service had already begun) in FY24; and the percentage of late registered human services contracts rose from 88.5% in FY23 to 90.7% in FY24. Further - nearly 40% of human services contracts were registered over a year late, due to late submissions by agencies.

Late contract payments cost money. We know nonprofits take out interest-bearing loans to cover program costs. Of New York City settlement houses with a line of credit, 63 percent (15 settlement houses) said that they had to tap into their line of credit due to cash flow issues and/or late payments from City agencies. Others have very nearly missed making payroll, a nightmare scenario that puts the livelihood of program staff at risk while simultaneously threatening to halt essential programming. Other challenges we’ve observed include extensive waiting periods to receive an executed contract which causes a negative impact in contract audits; City agencies often wait until contracts are processed to request additional documents—instead of at the start of the document gathering process—which makes it impossible to streamline registration processes; and contracts take months to appear in PASSPort, with agencies slowing down an otherwise efficient process by stalling before uploading required templates. Too often, nonprofits have been forced to pull attention away from their critical missions, instead devoting countless hours to navigating bureaucracy.

One Bronx settlement house operations director shared:

“We are experiencing delays in making payments to the vendors who supply essential services for our programs. As a result, we have been forced to reduce the scale of our program events due to ongoing cash flow challenges. This has impacted our ability to fully execute our planned activities and deliver the quality experiences we aim to provide.”

A Manhattan settlement house executive director shared:

“These delays have dramatically occupied my time and that of other managers, away from programs onto a desperate effort to secure funds from NYC to insure our meeting payroll and maintaining vital monies necessary to operate our programming in a sound manner. We had to delay making our pension contributions for staff...Our board was significantly upset at what they felt was NYC’s failure to meet its contractual and ethical responsibilities.”

A Bronx settlement house finance director said:

"Delays in city contracts severely impact our cash flow, making it harder to cover essential expenses. They disrupt program quality and create operational inefficiencies, forcing us to divert time and resources from our mission. Additionally, we have been using a line of credit, incurring high interest rates to cover until these services are paid."

A Manhattan settlement house finance director shared:

"We have a line of credit and a Term Loan to help offset the cash flow issues caused by late government payments. This borrowed money comes with interest payments and the inability to use for other projects or enhanced programming."

A Manhattan settlement house finance director said:

"Contract delays can create a ripple effect, impacting financial stability, service delivery, and overall effectiveness. Our programs provide essential services to NYC communities. Any delay can hinder our ability to deliver these services."

A Brooklyn settlement house director specifically cited concerns around DYCD's Summer Rising program:

"Our biggest concern is the Summer Rising program for which we are still owed \$1.3 Million for the expanded FY25 Summer Rising programs we provided, in good faith, last summer. THIS 9-month delay IS UNTENABLE AND UNACCEPTABLE for our agency and has put us in a VERY DIFFICULT, UNMANAGEABLE cash flow situation! After 4 years of Summer Rising implementation experience, we see no justifiable reason for these delays."

Examples

The following examples from our settlement house network, all from last month, highlight the many delays that City agencies often create that cause delays in registering contracts and paying on time:

- A Manhattan settlement house is owed about \$15 million.
 - A computer system issue is delaying contract registration for Train and Earn/Advance and Earn, and DYCD is not responding to requests to deal with the issue. This settlement house plans to cut back its longstanding Advance and Earn program within the next 30-45 days if this is not addressed.
- A Manhattan settlement house is owed \$4 million dollars combined from DHS, DOE, DOHMH, and DFTA.
- A Brooklyn settlement house is owed \$5 million.
 - FY25 awaiting contract registration - \$1.9 million:
 - DYCD Summer Rising - \$1.3 million
 - SBS - \$303,000
 - DOE - \$310,000
 - NYC Benefits Child Care - \$36,000
 - FY24 outstanding invoices awaiting reimbursement - \$555,000
 - All DYCD and DYCD Discretionary
 - FY25 outstanding invoices awaiting reimbursement - \$2,5 million
 - DYCD - \$893,000

- ACS - \$1.6 million (School Based Early Support - \$739,000; Promise NYC Child Care - \$810,000; Family Enrichment Center - \$33,000)
 - DCWP - \$43,000
- A Manhattan settlement house is owed \$17 million from one City agency.
- A Manhattan settlement house is owed about \$6 million, primarily from DYCD:
 - This includes \$3 million from an FY24 budget modification which took almost nine months to be considered “in progress” in PASSPort. After being recognized in PASSPort, only \$200,000 of invoices have been reimbursed.
 - This includes an additional \$3 million in Summer Rising and COMPASS related expenses that are still not being recognized in PASSPort (not registered), and thus not ready for even an advance.
- A Brooklyn settlement house is owed \$3.4 million.
 - \$118,000 in FY23 from HPD
 - \$769,000 in FY24
 - \$585,000 from DYCD
 - \$98,000 from HPD
 - \$86,000 from DOE
 - \$2.54 million in FY25
 - \$349,000 from DYCD discretionary
 - \$1.3 million from DYCD (Summer Rising and Train & Earn)
 - \$155,000 from DSS (NYC Benefits)
 - \$665,000 from DOE (Community Schools)
 - \$74,000 from HPD
 - \$44,000 from SBS
- A Bronx settlement house is owed \$1.52 million:
 - FY24 DYCD - \$280,000
 - FY24 HPD - \$103,000
 - FY25 DYCD - \$729,000
 - FY25 DOE/MTAC - \$406,830
- A Bronx settlement house is owed \$474,000, out of a total City contractual budget of \$3.2 million, from DOE and DYCD.
 - Summer Rising funds for FY25 (July and August 2024) have still not been released.
- A Manhattan settlement house is owed about \$15 million.
 - HRA owes \$1.5 million
 - DFTA owes \$1 million
 - DYCD owes \$2 million
 - DHS owes \$8.5 million
- A Manhattan settlement house is owed \$1.75 million.
 - \$1 million from DOE (Community Schools and UPK)
 - \$317,000 from DFTA (including two contracts from FY22)
 - \$296,000 from DYCD
 - \$100,000 from DOHMH
- A Brooklyn settlement house is owed \$8.6 million, including:
 - DYCD - \$4,870,800
 - DOE - \$2,968,300
 - HPD - \$742,800
- A Manhattan settlement house is owed \$1.88 million.
 - \$962,000 from DYCD

- \$727,000 from DOE
- \$194,000 from DFTA
- A Bronx settlement house is owed \$1.98 million
 - HPD owes \$704,000 for FY24 and FY25
 - DOE/Community Schools owes \$458,000 for FY25
 - DYCD Discretionary owes \$620,000 for FY25
 - DYCD COMPASS owes \$195,000 for FY25

In total, 16 settlement houses, including those who provided the breakdowns above, are owed \$92.4 million for services already provided.

Issues with PASSPort

The Procurement and Sourcing Solutions Portal (PASSPort) is a project of the Mayor's Office of Contract Services (MOCS). MOCS developed PASSPort with the intent to reduce contracting backlogs by leveraging technology to make the process simpler and more transparent. In practice, however, this platform has been plagued by a slow changeover and technical glitches. While fixing PASSPort alone would not guarantee on-time payments, system improvements would streamline the contracting and payment process, and create efficiencies on both the agency and nonprofit sides.

Some of the PASSPort issues our members have encountered are:

- Agencies often fail to upload contracts after registration, are slow to respond, and frequently claim documents are in PASSPort when they're not. This results in additional back-and-forth communication between agency staff and nonprofit staff just to receive executed contracts.
- Users no longer receive notifications when a document expires. Agencies are supposed to create a task when a document is expiring, but often don't, and, if the agency does not specify which document has expired, the process of replacing the document is delayed.
- The Help Desk is slow to respond. This can add to contracting delays, and has been especially problematic when nonprofits are faced with deadlines. One member estimated that it takes two weeks or longer to receive a response from MOCS.
- Once a document has been uploaded, it cannot be deleted. If you need to upload a new version of a document, PASSPort doesn't allow you to because the document name has already been selected.
- CBOs are not able to access all documents pertaining to their contracts. Members shared that when they try to access the "Documents" tab, it redirects to the NYC Employee login page to which they do not have access.

Department of Education

The contracted early childhood education programs at the Department of Education (DOE) face their own unique challenges, though this agency is sometimes left out of City discussions about the human services workforce and contracting challenges due to the wider portfolio of public schools within that agency. The contracting and payment process at DOE has long been filled with significant delays and confusion, particularly around budget approvals, enrollment management, and invoice submissions. Providers are often unable to invoice for services because their student rosters haven't been approved, and even when they can submit invoices, payments are frequently delayed beyond 30 days. Some providers have been waiting months or even years for reimbursement.

This process is delayed by a rigid workflow: budget approval must come first, followed by enrollment adjustments, attendance certification, and invoicing, which then requires an additional two weeks for payment processing. Many organizations have struggled to correct enrollment discrepancies, with issues like students leaving or enrolling mid-year, and have had to persistently follow up with DOE staff to get these changes made before the payment process can proceed.

Furthermore, technical problems with DOE's internal systems, such as ATS, cause additional delays, sometimes taking weeks to resolve. Despite receiving some payments, organizations have to endure long periods of financial standstill and systemic inefficiencies, making it difficult for them to maintain operations, provide quality services and meet their financial obligations.

Recommendations

There are a number of policy proposals designed to strengthen the nonprofit contracting system and alleviate some of these problems. We support various efforts to address these urgent issues, including the following proposals:

Intro 982 (Brannan) - Interest to be paid on late contract payments to non-profit contractors

This bill would require interest to be paid on late payments under City contracts with nonprofit organizations. Due to late payments, many providers have been forced to take out loans and lines of credit, which incur interest, all because of the City's delayed payments. In other words, nonprofits are effectively floating the City money. Intro 982 sends a clear message to the Administration to address the backlog and cover any costs incurred in the future. Short of guaranteeing that the City would register contracts and make payments on time every time, this bill is the next best thing, because it ensures that the consequences of late payments are not borne by nonprofits when delays are often out of their control. UNH strongly supports this bill and appreciates the sponsors for their support.

Intro 511 (Stevens): Setting time limits for the procurement process, reporting on agency compliance, and developing an online platform for managing procurement

This bill sets time limits within which agencies would be required to complete each step of the procurement process. Under the current system, there are only timeframes at the very end of the procurement process. Nonprofits have found agencies often hold up the contract registration process, many times without clear explanation. While waiting for a contract to be registered, human services providers often begin working on their contract to prevent people from going without vital services. This leads to challenges with cash flow and program implementation. Clear timetables would help nonprofits plan and budget accordingly, improving the overall contracting experience and adding accountability for everyone.

Intro 514 (Won): Public procurement database

UNH supports transparency initiatives, and therefore supports Intro 514, which would establish a searchable, online database containing information from all stages of the contracting process for every mayoral agency procurement that exceeds the small purchase limits. Should the public procurement database become law, UNH urges City agencies to leverage existing proposals and reporting from contractors to update and maintain the database, given that providers already report on the data called out in the bill. City agencies should not pass the reporting burden on to

contractors by requiring additional paperwork above and beyond what is already required of them as current reporting is more than sufficient to comply with the law.

Intro 1247 (Speaker Adams): Earlier up-front payments

UNH supports legislation recently announced by Speaker Adams that would shift contracts to a grants-based model that mandates a larger portion of contract payments be provided earlier in the procurement process. However, we remain concerned that advances are only paid after a contract is registered, and contract registration often takes a long time, meaning we need to pair this policy with additional reforms to ensure providers aren't receiving "advances" long after services have already taken place.

Agency Staffing

We understand that one of the main reasons for contracting delays is understaffing at various City agencies, especially at the Mayor's Office of Contract Services (MOCS). MOCS and the human service contracting agencies need more staff to ensure that they have an efficient contracting system. We appreciate the Council including this in its Preliminary Budget response.

Ensure Agencies follow the Indirect Cost Rate (ICR)

Several City agencies require providers to default to a 10% *de minimis* indirect rate in their program budgets, saying that rates will be adjusted later rather than including their higher federally-approved or CPA-certified indirect rate. This has led to confusion and mistrust as agencies do not want to undercount their costs in their budgets, with no guarantee that those rates will be adjusted to their actual ICR. This provides yet another procedural delay in the payment process. Agencies should never require contracts to use the 10% *de minimis* rate if they have a higher accepted ICR.

Thank you for your time. For any follow up questions, I can be contacted at kconnolly@unhny.org