



New York City Council Committee on Contracts
Oversight – Evaluating Progress of Reforms to Accelerate
Nonprofit Contract Payments
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Submitted by:
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Introduction

Good afternoon, Chair Won, and members of the New York City Council Committee on Contracts. My name is Michelle Jackson, and I am the Executive Director at the Human Services Council (HSC), a membership organization representing over 170 human services providers in New York City. HSC serves our membership as a coordinating body, advocate, and intermediary between the human services sector and government. We take on this work so that our members can focus on running their organizations and providing critical direct support to New Yorkers. These are the nonprofits that support our city's children, seniors, those experiencing homelessness, people with disabilities, individuals who are incarcerated or otherwise involved in the justice system, immigrants, and individuals coping with substance abuse and other mental health and behavioral challenges. We strive to help our members better serve their clients by addressing matters such as government procurement practices, disaster preparedness and recovery, government funding, and public policies that impact the sector.

Multi-Year COLA for Human Services Workers

We thank the City Council for the \$150M Workforce Enhancement Initiative over the past three years and the \$741M investment for a multi-year cost-of-living adjustment (COLA) over the next three years. A COLA is a significant step to address the historic underfunding and lack of investment in the human services sector as these workers do some of the most important jobs in our communities yet are underpaid and undervalued. For a workforce that is overwhelmingly female and women of color, this COLA is a step forward in addressing the racial and gender pay disparities that the sector has been facing for decades. We appreciate the efforts that the City has made to partner with us on COLA implementation to ensure a smooth process for thousands of workers to receive this critical investment.

MOCS Budget Cuts

As you know, the Mayor's Office of Contract Services is experiencing an overall budget cut of \$13.5M less than the current budget, \$17.4M less than the FY24 adopted budget, 18 less staff positions, and cuts to the PASSPort maintenance contracts. MOCS is responsible for overseeing the City procurement process and leading reform initiatives to make it more equitable, transparent, and efficient. However, there are many pending contract actions that prevent providers from getting paid for the services they provided. This is unsustainable for the sector especially as they continuously deal with delayed procurement processes, which further

exacerbates the cashflow challenges that countless human services nonprofits face. As contracting agencies migrate to PASSPort, many providers are coming across an increased number of contracting issues and lack of payment. With the budget cuts to MOCS, this hinders the progress that could be made to the procurement system that the human services sector relies on. Also, MOCS plays a critical role in implementing the COLA so the budget cuts to MOCS could have a detrimental impact on the implementation process leading to workers not receiving the investment in a timely manner. At a time where so many human services organizations are facing financial issues and workers are reliant on this COLA, restoration to MOCS' budget is crucial to ensure that providers contracting needs are met and workers are compensated so that they can focus on providing services to their communities.

Int 0243-2024

Although HSC supports the increase of the minimum indirect cost reimbursement rate to 20%, we are concerned with how this legislation impacts the current Indirect Cost Rate Initiative and how providers will be paid their indirect costs as they are already facing years of delay. It would be helpful if the indirect cost rate reimbursement methodology is developed as a fixed budget cost and not based on direct program costs as items such as rent, utilities, accounting staff, and HR staff are all necessary to operate programs and vital to the sustainability of organizations. The indirect cost rate reimbursement should be applicable to subcontractors as many RFPs state that indirect funding is not applicable to subcontractors even though they are supporting the provision of services. When primary contractors work with subcontractors, there is still an administrative burden and a lack of resources. The indirect cost rate reimbursement should also be applicable to discretionary contracts as these organizations are still providing critical services to communities and must find other funding streams to pay for indirect costs.

Int 0508-2024

HSC supports requiring the Procurement Policy Board to create a process for City agencies to inform vendors of the reason for any late payments. Many human services nonprofits experience differing invoicing processes according to contracting agency and agency staff. The delays in payment are put on providers as contracting agencies require levels of invoice approval and must do a constant dance with agencies about why their invoices were not approved. Human services providers are at a breaking point and because of these late payments there are real consequences for these organizations that are providing lifesaving services.

Int 0514-2024

HSC supports interest to be paid on late payments under city contracts with non-profit organizations. For too long nonprofits have incurred substantial costs for service delivery before they have a legal right to be paid and are often forced to borrow to meet payroll. Interest payments on such borrowings are not reimbursable, except in rare cases, and must therefore be paid from reserves already stretched to the breaking point. And that assumes that an organization can find a willing lender. According to the Comptroller's Annual Summary Contracts Report for FY23, over 72% of human services providers' total contract value was registered late and more than 95% registered late in the first half of FY24.

It is imperative that any interest payment required by the contracting agency is not taken out of program budgets. Although the current legislation is written to state the contracting agency must notify the Council in writing as to why interest payments could not be funded other than through program budgets, human services organizations are already facing severe underfunding while

being asked to provide high quality programs. The sector cannot be asked to perform at the same level while providing increased services if these interest payments come out of program budgets. There also needs to be an incentive for government to pay on time, and if there is not an economic impact except to the community, that may not be achieved. As nonprofits struggle to borrow to make rent and salaries, this impacts the resources they can put into additional programming, strategic planning, and compensating the workforce.

Int 0801-2024

HSC supports legislation that requires a contracting agency to provide the contractor with a detailed written explanation of the reasons for denying the approval of a subcontractor. Many human services organizations experience contracting agencies denying subcontractor approval without providing any reasons which inhibits organizations from providing services and without understanding how they can improve the quality of their subcontractors. This is especially prevalent with organizations submitting the 65A form since it is not approved consistently, and the approval process differs according to contracting agency and agency staff.

Conclusion

Years of underfunding of the sector have resulted in the human services workforce being some of the lowest compensated workers in New York City's economy. This multi-year COLA investment is a tremendous step forward in supporting the workers who do some of the most important jobs in our communities; they take care of our aging neighbors, assist families in staying in their homes, work with people to overcome substance abuse and addiction, and help people from all walks of life in the event of an emergency. However, to ensure an efficient COLA implementation process, MOCS' budget must be restored as MOCS is an essential partner in allocating this investment.

Although the City has taken on reform efforts to address the procurement challenges that nonprofits face, there are still compounding delays in the contracting process that force providers to undertake costly borrowing to make payroll and rents, often accruing interest not covered by government contracts. Over the years the sector has also seen real progress in contracting only for it to unravel in future years. We thank the City Council for their commitment to procurement reform and understanding the chronically delayed procurement process that providers face. We do think that legislation is needed because progress seems to be fleeting and we need systemic reforms. We would also suggest that the Council focuses on passing a few key pieces of legislation as many bills have been introduced to tackle these longstanding issues.

Additionally, any changes- legislative or not- will require MOCS to implement those improvements and that requires staff. To ensure that the City continues to see improvements to the procurement process, MOCS' budget must be restored as more human services organizations will experience contracting and payment delays, which contribute to the unsustainability of the sector.

Years of underfunding of the sector have resulted in the human services workforce being some of the lowest compensated workers in New York City's economy. This multi-year COLA investment is a tremendous step forward in supporting the workers who do some of the most important jobs in our communities; they take care of our aging neighbors, assist families in staying in their homes, work with people to overcome substance abuse and addiction, and help people from all walks of life in the event of an emergency. Thank you for giving me this opportunity to testify. We greatly value our partnership with the City Council and know you stand with us in our call to support the human services sector.

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