

New York State Payment Delays to Non-profits



Many of you may have read the recent articles in the New York Non-profit Press related to delays in payments to non-profit organizations contracted with New York State (which are attached below).

On Wednesday, NYNP reported that the State would not be paying human service contractors for expenses incurred after the April 1st start of the new fiscal year – regardless of whether agencies were still operating within the legal term of their approved state contracts.

The impact of these delays will be staggering for non-profits, our employees and those we serve. We are in ongoing communication with our other Statewide partners to obtain the most up to date information. If you receive any additional information from your contacts at one of the State Departments or from your State Representatives, we would appreciate you sharing it.

EXERTS From Today' New York Non-profit Press:

Concerns Mount Over Impact of Budget Deadlock

Concern is mounting for nonprofit human service providers as the state's budget deadlock leads to critical cash flow issues and mission-wrenching decisions over whether to continue providing services without reimbursement.

On Wednesday, NYNP reported that the State would not be paying human service contractors for expenses incurred after the April 1st start of the new fiscal year – regardless of whether agencies were still operating within the legal term of their approved state contracts.

The news has come as a surprise to many providers who had received no formal notice of the decision – and are only now looking for their first reimbursement checks covering service periods after April 1st. “We did not provide formal notice to groups about this issue,” acknowledged Division of Budget spokesperson Erik Kriss. “We have been dealing with the budget week-to-week.”

In cases where nonprofits are operating under registered contracts, the State is obligated to make payment – eventually. “The State is breaching the contract by not paying,” says Linda Manley, Director of Legal Services at Lawyer's Alliance for New York. “If providers wanted to go out and sue the state for nonperformance, they would win. But, they are not going to do that.”

Even more troubling for many providers is how to handle the provision of services on contracts which were up for renewal but are now caught in the budget deadlock.

The Homelessness Prevention Program (HPP), for example, saw four of its five contracts with New York City-based providers come up for renewal in late March or early April. Since then, agencies have been struggling with whether and how to continue providing services – at a cost of \$5 million annually – without any assurance that their contracts will ultimately be extended and paid.

The program provides counseling and legal services to help families avoid evictions and homelessness. Annually, HPP reportedly prevented 6,680 evictions in New York City through a three-part package of services for families who are referred directly from Housing Court or the Human Resources Administration. It was estimated that the \$5 million in HPP program costs ultimately saved \$85 million in costs for families which would have been forced into New York City's homeless shelter system.

“We are continuing to run the program,” says Irma Rodriguez, Executive Director at Queens Community House. “People need it; nobody else does it here in Queens.” Yet Rodriguez is considering having to tighten up intake and focus on



emergency cases while continuing to work those already in process. “We are spending money we might not get back,” she says.

“This is a lot of money,” says Carolyn McLaughlin, Executive Director of BronxWorks, another HPP provider. “If it doesn’t get refunded, we are taking a huge financial risk. No matter what, it is already impacting our cash flow.”

Ironically, HPP is one program which was not targeted for elimination in the Governor’s Executive Budget proposal. Other providers, continuing to operate the many programs which were slated for cuts are in an even riskier position.

Awareness of the overall crisis is spreading. Today’s Wall Street Journal http://online.wsj.com/article/SB10001424052748703340904575284930725082358.html?mod=WSJ_NY_LEFTTopStories even reported on the impacts of the budget deadlock on New York’s nonprofits. The article cited Christine Molnar, Executive Director of Safe Space, who said that her reserves would only carry her agency for another month. Peter Campanelli, CEO of the Institute for Community Living, reported that he was alerting staff to possible layoffs in light of his bank’s refusal to access his line of credit due to his lack of renewed state contracts.

Comptroller Calls for Action on Budget

“New York has to stop wasting time and adopt a budget. Albany’s inaction is hurting too many New Yorkers,” said State Comptroller Thomas P. DiNapoli in response to concerns over the mounting impact of the State’s budget deadlock on nonprofit human service providers. “The state has been irresponsible for too long. Many not-for-profits are providing critical human services to needy New Yorkers and they have no idea if their programs will be funded and for how much. Every day wasted is more pain inflicted. We need a responsible budget enacted.”

Because there is no budget, there is no appropriation authority to pay bills for services provided after April 1st, the Comptroller noted.

“Not-for-profits should call the Governor, state senators and state assemblyman give them specific examples of how the late budget is hurting their organizations and the vital services they provide to New Yorkers,” said DiNapoli. “In addition, the clients who use these important services and the boards that oversee not-for-profits should also reach out to their elected officials.

“Until a budget is in place, not-for-profits should be cautious in any non-essential spending for state-related contracts,” he continued. “Organizations need to make tough decisions that are in the long-term best interests of their mission and financial viability. Occurring debt or potentially unreimbursable expenses could significantly harm the stability of an organization.”

