Thank you, Chairs Hudson, Stevens, and Won, for holding this important hearing on nonprofit contracting and introducing critical legislation to help resolve some of the many challenges faced by New York City's human services nonprofits. My name is J.T. Falcone, and I am a Deputy Director of Policy and Advocacy at United Neighborhood Houses (UNH). UNH is a policy and social change organization representing 46 neighborhood settlement houses, 40 in New York City, 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.

Background

New York City relies on nonprofits 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.

In theory, this partnership is symbiotic: New York City gains the community ties and issue-area expertise of nonprofit organizations while the nonprofit organizations are able to further their mission, leveraging stable public dollars to expand their programming and meet the needs of more New Yorkers.

Unfortunately, in practice, the symbiotic relationship between New York City and human services contractors has broken down as government has failed to adjust the budgets for these essential services, allowed contracts to renew year-over-year without cost escalators or Cost of Living Adjustments (COLAs) for hardworking staff, and failed to pay providers in a timely fashion for their important work. As a result of the City’s unreliable contracting behavior, nonprofits have been forced to pull attention away from their critical missions, instead devoting countless hours to navigating bureaucracy—re-submitting forms over and over through PASSPort, responding to Corrective Action Plans (CAPs) issued by their contracting agency, and working to find emergency funding to account for delinquent payments. Even worse: Nonprofit providers find themselves in a staffing crisis, meaning that all of this bureaucracy has an even heavier impact on their ability to deliver high-quality programming to as many New Yorkers as possible, especially with a bare bones staff comprised of overworked and underpaid staff who have been trapped in a vicious cycle of austerity.

In uncertain economic times, human services become all the more essential. New Yorkers rely on settlement houses and other community-based organizations to keep their households afloat, and we have seen demand for services spike over the last two years despite other indicators that our economy may be stabilizing. In its laws, in contract management and oversight, and in budget, New York City should strive to reinvigorate the symbiotic relationship it has shared with human service providers for the benefit of all New Yorkers.

**Nonprofit Contracting and the Joint Task Force to Get Nonprofits Paid on Time**

The Adams Administration acknowledged the contracting challenges they inherited early on by convening a joint task force with Comptroller Lander as part of their transition work. The Joint Task Force to Get Nonprofits Paid on Time, a positive step to rectify inherent procurement system problems, issued a report, *A Better Contract for New York*, that included five key recommendations to modernize and streamline New York City’s contracting process while
making it more equitable and transparent. To their credit, First Deputy Mayor Sheena Wright and Deputy Mayor Anne Williams-Isom have continued to focus on implementing these recommendations, and the Mayor’s Office of Contract Services (MOCS) and the Mayor’s Office of Management and Budget (OMB) have actively paid attention to these issues as well. In November, the aforementioned group held a webinar for human services contractors where they shared data showing significant progress has been made to address backlogged contract registrations and payments to providers.

Still, despite that progress, nonprofits continue to struggle to have their contracts registered in a timely fashion, leading to a wide array of consequences. Our settlement house members report that while payment timelines are much shorter today than they were last year, contract registration can drag on for months or, in some instances, over a year. Examples include:

- Extensive waiting periods to receive an executed contract causing a negative impact in their contract audit;
- City agencies often wait until contracts are processed to request additional documents—instead of at the start of the document gathering process. This makes it impossible to streamline registration processes;
- Contracts take months to appear in PASSPort, with agencies slowing down an otherwise efficient process by stalling before uploading required templates.

These examples highlight the many delays that City agencies often create that inadvertently cause delays in registering contracts and paying on time.

Further, while PASSPort is a promising tool, settlement houses have been frustrated by aspects of its implementation. Examples include:

- After converting to PASSPort, providers no longer receive email notifications when documents are about to expire;
- The in-draft/in-progress process is confusing and difficult to follow;
- PASSPort does not flag documents that are missing or incorrect for the user, wasting time as providers seek to make corrections before submitting for review or approval; and
- While PASSPort’s tracker is helpful, the gray circles can have different meanings, reducing its usefulness in tracking progress on milestones.

Again, we are in a better position than we were a year ago, but problems persist. Settlement houses report that bridge loans have been extremely important tools to manage the status quo, but we must design systems where those stop-gap measures are not necessary.
In addition to the challenges faced by nonprofit providers of aging and youth services, the field of Early Childhood Education has been plagued by extreme contracting concerns. UNH urges Contract Committee Chair Won to hold a similar hearing in collaboration with Education Chair Rita Joseph to focus on ways to improve contracting at the Department of Education (DOE) and resolve their chronic delinquency in paying contractors.

Providers face a crisis of delayed contract reimbursements. SeaChange Capital Partners recently conducted an analysis of how much the contracted early childhood system is owed and found that as of January 19, 2023, the City still owed providers $399 million for FY 2022 contracts. One of our members operating several center-based EarlyLearn programs and a Pre-K program reported that the City still owed them nearly $1.3 million for FY 2022 contracts, as of January 13.

In an effort to address these delays in FY 2022 payments to providers, the DOE announced a partnership with the Mayor's Office in November 2022 to deploy a "rapid response team" of cross-functional analysts and operational personnel that would provide 1:1 support to CBO early childhood education (ECE) providers with submitting their invoices for FY 2022, ensuring that they are up to date on FY 2023 invoices, and helping them get paid promptly. While providers have acknowledged contact from a member of the Rapid Response Team and some support with addressing issues with the electronic vendor portal system for invoice submission, they still continue to experience difficulties in receiving payment for FY 2022 and FY 2023 invoices. Furthermore, the DOE developed a stabilization fund to pay DOE-contracted community child care programs the equivalent of 75 percent of their FY 2022 contract value, regardless of their enrollment levels. However, the DOE noted that these are one-time payments to CBO providers for their FY 2022 contracts and are not guaranteed for FY 2023 and beyond. We urge the City to pay all providers their contract value for FY 2022 immediately and to pay FY 2023 invoices promptly.

To ensure FY 2023 and future contracts are paid on time, the City must also streamline their complex back-end system for invoice submission and approval. DOE recently adjusted its vendor portal system to allow providers the option of submitting multiple invoices at one time for FY 2022 contracts, but this option is only available for FY 2022 invoices, not for FY 2023 invoices and beyond. This is troubling given that multi-month submission can help address the backlog in payments; without this option, providers can only upload material one month at a time and must wait for each month to get approved before they can move on to input the subsequent month. Approval of monthly budgets by DOE has been slow, adding another undue burden on providers.

UNH Contracting Recommendations:
- Continue to improve PASSPort, including adding automatic notifications when documents are about to expire and making the interface more user-friendly by
highlighting documents that are missing or wrong to cut down on administrative burdens, including changing indicator colors on the tracker;

- Pass Intro. 0511, which would set time limits within which agencies would be required to complete each step of the procurement process and ensure that agencies have the resources they need to complete contract registration steps within the established timeframes; and

- Hold a similar joint hearing with the Contracts Committee and Education Committee to explore the particularly acute challenges faced by ECE providers;

**Human Service Workforce - Wages and Benefits**

Human service workers are grossly underpaid. A recent analysis by UNH found that human service workers face similar economic insecurity as the participants in their programs; in our report, *The Need to Strengthen the Economic Security of the Settlement House Workforce*, we note that government funding decisions and chronic underinvestment in human services have led to poverty-level wages for essential frontline workers at settlement houses.¹

Low wages, exacerbated by burnout from the COVID-19 pandemic, have led to chronically low staffing levels at human services organizations. Our settlement house members report more, longer vacancies, higher turnover, and significant challenges recruiting in a competitive labor market. Insufficient staffing has made it increasingly difficult for nonprofits to serve New Yorkers, leading to under-enrollment and program closures, which then leads to budget reductions and a vicious cycle that harms New Yorkers seeking services.

For years, the human services sector has warned of a staffing crisis citing low wage levels. Over the last two years, the City ignored a COLA request and instead issued a one-time bonus for our workforce that was equivalent to less than 1%, and a “contract enhancement” that led to contract-by-contract increases of between 1.5 and 2.5%. This investment is wholly insufficient to have a meaningful impact on the nonprofit workforce. Even with an annual 5% COLA, for most frontline workers starting at or around minimum wage, five years of raises would still mean an hourly wage of under $20. Coupled with inflation and the City’s tendency to extend contracts without any cost escalators or budget modifications, this salary problem will only be solved by a significant investment in the workforce.

For these reasons, *United Neighborhood Houses supports Intro. 0510*, which would establish prevailing wage schedules for human service workers, require agencies to include sufficient funding to cover those wages in contracts, and track implementation of those wages by human service contractors. While prevailing wage schedules are an imperfect tool to address the current conditions faced by human service workers, it is a significant improvement from the status quo. This process to design a true prevailing wage system is arduous and will require

careful analysis, but we cannot afford to continue ignoring the need. For years, the government at every level has asked nonprofit partners to do “more with less.” This dynamic has pushed our sector to a real breaking point, and our workforce has suffered the consequences.

In order to effectively implement Intro. 0510, this legislation would need to pass through the City's budget process. City agencies would be required to evaluate the true cost of contracted services and increase funding to maintain service levels. Nonprofits have been subsidizing government services for many years, with contracts paying pennies on the dollar for the cost of programming. With finite resources available, this subsidization has led to wage stagnation as programs have become more expensive to run and budgets have remained level through contract renewals. Correcting wages for workers on government contracts will require upfront investment in the human services sector, without which service levels would necessarily be reduced as nonprofits raise wages in accordance with the set prevailing wage. Of course this will lead to discussions about investment in City services and how city leaders create priorities, and we look forward to participating in these conversations.

Meanwhile, we applaud the effort of those City leaders beginning this process of determining prevailing wages for human services as they realize that the cost of doing nothing has become more grave.

UNH recommends that the City Council and Administration pass Intro. 0510 and commit to funding the measure, increasing contract budgets to allow nonprofits to pay their workers prevailing wage without cutting services to our communities. In addition, we urge:

- City agencies to work with providers to review program budgets to better understand how to account for wage increases, and determine the true cost of implementing Intro. 0510 while maintaining service levels; and
- the City Council and Administration to work with partners in Albany to ensure that State contracts for programs in New York City abide by the prevailing wage schedule and undergo a similar budget modification process as City agencies outlined above.

**UNH Comments on Additional Introductions**

In addition to Intro. 0510, there are several other legislative Introductions today. UNH’s position and comments on these bills are as follows:

*Intro. 0511, Stevens: Setting time limits for the procurement process, reporting on agency compliance, and developing an online platform for managing procurement*

**United Neighborhood Houses supports Intro. 0511**, which would set time limits within which agencies would be required to complete each step of the procurement process. Under the current system, nonprofits have found agencies often hold up the contract registration process, many times without clear explanation, leading to challenges with cash flow and program
implementation. Clear timetables would help nonprofits plan and budget accordingly, improving the overall contracting experience.

*Intro. 0514, Won: Public procurement database*

United Neighborhood Houses supports transparency initiatives, and therefore supports Intro. 0514, 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. 0866, Stevens: Report on community engagement by City contractors*

United Neighborhood Houses supports the aims of Intro. 0866, which would require that City contractors who include plans to “collaborate with community members or organizations” in their winning proposal report regularly on their progress with said collaboration. Too often, contractors over-promise and under-deliver when it comes to community engagement, and—especially in instances where promises of community engagement have helped that contractor win a particular contract—accountability is important. **UNH has recommendations to strengthen the language of Intro. 866:**

- As written, Int. 866 does not include any definition of or minimum threshold for “collaboration,” which could lead to inconsistent self-reporting from covered contractors; **UNH recommends including a definition of “collaboration” that includes practices such as roundtables, visioning sessions, stakeholder meetings, forums, or ongoing community councils.**
- As written, Int. 866 requires covered contractors to self-report on their collaborative efforts. **UNH recommends that community members/organizations be given an opportunity to comment on the quality of said “collaboration” as an aspect of reporting—particularly where specific community groups or organizations were named by a covered contractor in a winning proposal. The burden for collecting this feedback should fall on awarding City Agencies during the reporting process.**

**Conclusion**

UNH looks forward to working with partners on the City Council and in the Administration who are committed to improving nonprofit contracting. This hearing today and the Joint Task Force are evidence that our increasingly desperate calls for help are being heard. UNH is optimistic that, should the Council pass this legislation—especially Intros 0510 and 0511—and the Administration implement them as laws, we will make even more significant progress over the coming year.
UNH looks forward to returning to testify on the FY 2024 Preliminary and Executive Budget proposals, where we will urge the Council and Administration to use this budget process as an opportunity to invest in the priorities all of you have lifted up and, most of all, to invest in the human services workforce that helps New Yorkers survive and thrive.

Thank you for your time and the opportunity to testify today. For more information, or to answer any additional questions, I am available at jfalcone@unhny.org.