

OPINION

June 27, 2018 12:01 a.m. Updated 06/27/2018

OP-ED

Nonprofits are still subsidizing crucial government services

Despite promises, the city continues to pay its vendors too little and too late

By Allison Sesso and Jina Paik



Photo: Flickr/Max Crypto Mining

New York City is in the midst of an inequity crisis.

From rising rates of homelessness to an epidemic of substance use, pressing social issues continue to challenge communities and exacerbate inequity across the country and right here in the five boroughs. Human services nonprofits are on the front lines every day working to address these social inequities, comprising a powerful support system for children, the elderly, new immigrants, and many others.

Yet during this time of rising demand for services, the nonprofits that provide critical services to New York City must operate on funding that is both too little and too late.

Human-services nonprofits partner with city agencies to provide critical services such as housing, job training, elder and foster care, and nutritional assistance on the government's behalf. But needs are growing—and city contracts rarely cover the full costs of services nonprofits provide. There's a persistent, implicit assumption that nonprofits will fill their gaps with revenue from other sources when, in fact, there simply

is not enough philanthropic money to do so. And raising money costs money (e.g., fundraising staff and systems)—expenses that government and other funders almost never cover.

What's more, city funding to nonprofits usually arrives late. There's a lag between when a city agency mandates that a nonprofit begin providing a service and when the approved contract goes through the city's "registration" step that allows the organization to get paid. Last year the city submitted 90.8% of contracts with human-service providers late to the city comptroller, that office [reported](#) in May. This means nonprofits frequently provide crucial services to city residents at the government's behest for free, essentially lending the city money—often for many months and millions of dollars—while still having to pay their own bills on time. Can you imagine a for-profit vendor agreeing to do this?

This isn't sustainable. In Nonprofit Finance Fund's recently published [State of the Nonprofit Sector Survey](#), 75% of responding New York City human-services providers said their local contracts pay late. That's significantly higher than the 56% reported nationally by similar organizations that rely on local government funding.

This double burden of money that is too little, too late pushes many organizations to the brink. In 2016, the Human Services Council [reported](#) that 20% of New York City's human service nonprofits were insolvent and 30% had cash reserves that covered less than one month of operating expenses.

This situation forces nonprofits to focus too much on making ends meet, leaving little time, resources or energy for examining the broader community impact of their services and how they can increase it. The survey of nonprofits found that across the sector nationally, demand keeps rising faster than nonprofits' ability to meet it, a situation exacerbated among organizations serving low-income communities, as well as among New York City providers of human services.

Survey respondents here and nationally most often cited long-term financial sustainability as a top challenge. This won't get better until we all collectively rethink how the contracting process works and reshape it to support those on the community front lines.

Last year Mayor Bill de Blasio took an important first step by committing to "right-size" contracts so that they cover the true cost of services and creating the Nonprofit Resiliency Committee to reform the city's interactions with nonprofits. Unfortunately, providers have experienced lags in obtaining contract amendments for these investments, too, and they are suffering from cash flow issues as they wait.

Time and again, city officials claim that big issues that worsen inequity are top priorities. But what's needed to really make this better still isn't happening. This month New York

City passed another budget that fails to support the nonprofit sector's needs. It does not contain urgently needed investments such as funding for insurance, occupancy costs, indirect-cost reimbursement, and important benefits for nonprofits' staff. It does not do enough to right-size human services contracts going forward, meaning that many front-line organizations working to address inequity in our communities will not be paid fairly for the services they provide—even if they are paid on time.

Last week, the City Council Committee on Contracts and the General Welfare Committee held a hearing to investigate these issues. While we learned that changes are being slowly implemented, the mayor's leadership is desperately needed to fix this problem.

With human-services nonprofits stretched thinner and thinner, immediate action is required to reverse decades of chronic underfunding. We must solve these issues first, so that we can all focus on ensuring that all New Yorkers have the resources they need to thrive.

Allison Sesso is executive director of [Human Services Council](#). Jina Paik is a director, advisory services, at [Nonprofit Finance Fund](#).