



Joint Testimony of NYC Legal Services Providers

Presented on February 25, 2026 by:

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Submitted to:

**The New York City Council Committee on Contracts
 Oversight Hearing on Ensuring Timely Payments for Nonprofits and Human Service
 Providers**

Introduction

As New York City’s public defenders, we serve hundreds of thousands of low-income people, overwhelmingly Black and brown New Yorkers, each year. We employ thousands of dedicated lawyers, social workers, investigators, paralegals, advocates, organizers, and administrative professionals who provide essential services to support our communities. We are a lifeline for low-income New Yorkers in need.

The services we provide are supported by City initiatives and funding. The City funds we receive are essential for us to continue to deliver these vital services for vulnerable New

Yorkers. Without timely access to these contracted funds, we are not able to hire and retain the attorneys, paralegals, investigators, social workers, and other staff critical to meeting that commitment. Chronic underfunding and mounting contract and payment delays jeopardize our ability to provide essential services for the New Yorkers who need us most, hire and retain staff, and respond to the ever-increasing need in the community.

Non-profits like us already start at an extraordinary disadvantage. Not only are our staffs' salaries lower than those of our government counterparts, especially in experienced positions, but just as critically, our staff do not benefit from a government pension.

City agencies start the year with their funding and routinely receive additional allocations for new collective bargaining agreements, healthcare cost increases, and utility and space cost increases. Non-profits like us do not. We are constantly waiting for our funding to be confirmed or for payment for work that has been completed. And we are often left to self-fund rising costs out of contract budgets that do not receive automatic increases at the same level as City agencies.

And perhaps most egregiously, when we then cannot spend all of the money in our contract because it was never confirmed for us in the first place, or we did not receive it in time, the City takes it back, effectively cutting our funding. Taken together, these issues mean that we cannot access the funding in our contracts, threatening the ability for non-profits like us to operate and implement critical city initiatives that support the New Yorkers who need us most.

Late and uncertain payments exacerbate these fundamental issues and wreak havoc on nonprofits and the communities we serve. When non-profits are not paid on time, we make what is in effect an interest-free loan to the City. This is not sustainable. We are grateful for the City Council's focus on this issue and the bills under consideration today.

Overview of Late Payment Issues

Legal services providers continue to face significant challenges related to timely payments for our contracts. Today we are here to share examples of the critical late payment issues that endanger our ability to make payroll, to pay rent, and to continue to provide the services so urgently needed by our communities. Late payments effectively cut our grants, as we incur costs related to loans and banking fees in order to stay afloat. These issues are especially dire for smaller non-profits in our coalition and the non-profits that we subcontract with to deliver essential services.

We believe that additional steps must be taken to mitigate the challenges that lead to payments being late in the first place. Tracking late payments cannot begin solely from the date the invoice is received and accepted by the agency. Delays create major issues for non-profits much earlier in the process – late contract registration, as well as unnecessarily cumbersome and changing processes for budget approvals and modifications, and invoice submission and review, all cause payment delays long before an invoice is accepted by the funding agency. Without resolving each of these challenges, delays will continue to cause major issues for non-profits.

Registration

Even once a contract award has been made or a contract extension has been approved, it can take months to get the contract action issued and registered, creating disruption, confusion, and uncertainty. This creates a gap in funding that we are forced to try to fill using other limited dollars or high-interest loans so we can make payroll. If we can't fill that gap, these delays amount to a covert cut in funding – nonprofits must often leave money on the table because they cannot front funding in anticipation of City disbursements. The City must ensure contracts are registered on time, and issue extensions when new awards have not been made well in advance of the start of the new fiscal year.

In particular, we also wanted to raise that awards for the new Immigrant Opportunities Initiative (IOI) RFP have not yet been made for the period beginning FY27. Given the time required to make awards, negotiate and execute contracts, and get new awards registered, we are requesting that HRA issue immediate extensions of the FY26 IOI contract for all providers, so that these extensions can be registered by the start of FY27 on July 1st.

Late Funding Confirmation and Budget Approval

This year, for the second year in a row, despite timely contract registration, the Human Resources Administration (HRA) had still not approved budget amounts for baseline housing and immigration contracts more than 6 months in the fiscal year. This issue has prevented invoice submission and payment for work completed, and devastates our cash flow. As an example, at Legal Services NYC (LSNYC), we have only 4 out of 8 budgets approved for the Fiscal Year 2026 contracts. For the final FY25 budget modifications, only 3 out of 8 have been approved. This means that between the two Fiscal Years, we are currently able to invoice on only 7 of 16 total contracts. As we sit here today, across the coalition of legal services providers, many FY26 budgets are still not approved, and for the invoices that we have been able to submit, most are not yet paid. For example, of the more than 30 invoices the Legal Aid Society has submitted, only 1 has been paid, and more than \$15M remains outstanding.

Similarly, for smaller sized legal services providers, the delays and harmful impacts are the same. The Urban Justice Center (UJC) is the lead contractor, subcontracting to over a dozen LSPs from the LEAP and CILEC coalitions for the Anti-Harassment Tenant Protection (AHTP) and Immigrant Opportunities Initiative (IOI) programs, all contracted through HRA. For FY26, HRA still has only issued one IOI payment and hasn't even completed budget review for AHTP, despite UJC's timely submission of documents.

In FY25, HRA increased initial advances to 30%, and in FY26, HRA increased initial advances to 50%. But delays continue to far exceed the advance period. In FY25 and FY26, non-profits received inaccurate grant award amounts, and it took months for the City to resolve the errors, which caused delays in budget submission and invoicing as budgets cannot be finalized until we know the grant award amount. Once award amounts were finally confirmed, the budget approval process was delayed by requests for multiple revisions. Budgets would be submitted, the agency

would request changes, the changes would be completed and re-submitted by the provider, and then the cycle would be repeated multiple times before the final budget.

The situation is even more dire since organizations are also waiting on final payments from prior fiscal years during this period. In addition to the \$15M owed in FY26, the Legal Aid Society is waiting on a \$16M payment from FY25. LSNYC is waiting on over \$7M from the same time period and over \$21M for the current FY26.

And, when we then push for additional advances, we meet steep resistance, even though some providers are at risk of not making payroll or forced to take out high interest loans. It bears repeating that all of these payment delays are happening on contracts that are already registered.

Invoice Review

The challenges don't end after budgets are approved and we begin submitting invoices, which is another issue we'd like to address today. When submitting invoices or budget modifications, we face an incredibly onerous and ever-changing submission and review process just to get reimbursed for the work that was completed under our contracts with City. It involves detailed line-item reviews that require pages of information and record-keeping to meet extremely detailed and often shifting requirements that differ from agency to agency. Requirements will occasionally change monthly; alternatively, something that was discussed and resolved in prior months will be litigated again and again in future months.

Further, in general, there are often delays in the processing of invoices. Invoices will sometimes sit for several weeks without being touched. At some agencies – in our case HRA – there appears to not be enough staff to keep up with all the work. Our understanding is that there are only two contract managers at the Office of Civil Justice to administer the contracts for all legal service providers across the City. All these items place a severe strain on our cash position, which is needed to meet payroll and maintain operations. For example, at LSNYC, in 2025, we incurred approximately \$475,000 of interest expenses in borrowing on our line of credit. In the first two months of 2026 alone, we have incurred \$160K, or about \$80K per month. Since all resources are finite, this is money that could have been used to hire more staff to serve more New Yorkers. At LSNYC, this translates into about 6 additional attorneys and take on an additional 400 cases to provide services to our clients. For the Legal Aid Society, of the 30 invoices currently pending. HRA has told us that they are only able to approve 5 invoices a week, which means the backlog will take at least an additional six weeks to clear. This is completely unacceptable.

Recommendations:

Immediate actions needed include:

- Approval of outstanding FY26 contract budgets
- Expedited payment for all pending invoices and subsequent FY26 invoice submissions
- Payment of outstanding FY25 closeout invoices

To fix this issue moving forward, HRA must:

- Provide early and accurate grant award amounts.
- Increase agency staffing – HRA has repeatedly told us their delays are partly due to not having sufficient staffing levels to support the work.

- Provide transparent, clear instructions on budget submission and processes that do not change.
- Provide an estimated timeline at the start of the process for budget and invoice approvals, which will allow us to predict cash flow.
- Provide additional advances, both at the start of the year, and in the event budgets are not approved. For any contract where budgets are not approved as of the end of October, HRA should immediately prepare additional 25% advances to bridge the gap.

Citywide, our recommendations include:

- Reimbursing organizations for interest expense incurred from borrowing on lines of credit or other loans.
- Creating clear, standardized invoicing guidelines across all agencies and not change the requirements mid-year
- Ensuring that contracting agencies are fully funded for all contractual commitments and appropriately and efficiently account for those expenses via appropriate encumbrances. Adding indirect cost rate and COLA funding added in the FY27 Preliminary budget was an important step toward the goal of ensuring all contractual obligations are fully funded.

Conclusion

When non-profit legal services organizations take on City contracts (often in the millions of dollars), we are committing to providing high-quality services on a large scale, supporting marginalized individuals and communities. The greater the size of the contract, the more staff salaries and expenses we must cover while waiting for payment for work completed. We need additional action now to ensure timely payments for the work we do on behalf of the communities we serve. While substantial additional funding is needed for this sector, fixing these contracts and payment issues does not cost any money. It simply means paying providers the money that has already been allocated to them, on time.

We thank you for today's hearing, which puts a spotlight on the enormous challenges that late payments create for non-profits.