Testimony of Lisa M. Flores, MOCS Director Before the New York City Council Committee on Contracts Budget Testimony March 3, 2022

Good afternoon Chair Won and members of the Contracts Committee. My name is Lisa Flores, and it is great to see you all again. For those of you who I have not met individually, I encourage you to reach out to me and my team after the hearing so I can learn more about your priorities in leading procurement reform.

As you know, MOCS is a small agency in terms of budget with a wide responsibility to oversee the City's annual contracting portfolio. MOCS is charged with both providing traditional oversight on the City's procurement process and also helping to facilitate the process. Fiscal Year 21 saw the City's overall procurement portfolio increase by over a third, going from around \$22.5 billion in FY20 to over \$30 billion in FY21, which demonstrates the critical importance of procurement to government operations.

This growth was driven in part by a major increase in human services contracting – this industry saw about a \$3.5 billion increase in contracting, going from \$8.5 billion to \$12 billion between FY20 and FY21. Meanwhile, goods purchasing substantially decreased as a share of Citywide purchasing, as it accounted for 24% of total contract value in FY20 and fell to 10% in FY21. Overall, Mayoral agencies entered into about \$8 billion in emergency COVID-19 contracts under Emergency Executive Order 101, which lasted between March 2020 and July 2021, and over \$500 million in contracts under Emergency Executive Order 322, which started in December of 2021 and has been renewed to remain in effect. With regard to the overall procurement landscape, total M/WBE contract value in FY21 was \$1.17 billion, which amounts to just about 4% of total contracting value, despite being the City's second highest utilization rate under Local Law 1. We are strongly committed to increasing utilization of M/WBEs and will continue to keep this Committee apprised of our progress.

As you heard from us at the most recent Contracts Committee hearing, a central part of improving procurement continues to be the implementation of PASSPort to bring the City's procurement process into a fully digital environment. PASSPort provides a single shared platform for agencies and vendors to complete contracting activity, including vendors filing necessary paperwork, agencies releasing solicitations, and both parties moving the contract toward registration with the Comptroller. We have seen the adoption curve grow as we expected, with over 30,000 vendors engaged in the system and thousands of contracts registered, and we have devised a roadmap for the next set of enhancements that was shared with your office in advance of the previous hearing.

PASSPort is the tool that enables contracting, but it is guided by the rules, laws, regulations, and processes that have built up over the course of decades to shape New York City procurement. Our next phase of reforms will concentrate on taking a hard look at these rules to reduce administrative burdens, simplify the process, and generally bring procurement up to speed with a modern, digital environment. This work will focus on four key areas: cutting red tape and rules, finding efficiencies to speed registration, increasing transparency and accountability, and minimizing cost and risk. Across all of these key initiatives, we will place an emphasis on improving equity and reducing disparities, with special attention to critical portfolios such as technology and capital.

Stakeholder partnerships and on-the-ground community insight will be critical to achieving these objectives. We are currently in the process of meeting M/WBE and community groups to get their insight on how we can make the procurement process simpler and improve the City's M/WBE utilization, even beyond the parameters set by Local Law 1. Likewise, we have already made progress in the human services sector through our collaboration with the Comptroller's Office in the Joint Taskforce on Nonprofits, which has led to a series of tangible reforms to bring efficiency to human services contracting and maintain an ongoing dialogue. We are also partnering with the Office of Risk Management and Compliance to find ways to better align the City's risk review process to the highest risk portfolios, while potentially easing the burden on lower risk categories. We will need your partnership as well - I have appreciated the insight and attention this Committee has shown thus far and look forward to your feedback as we carry out these initiatives.

MOCS' teams are prepared to carry out this work, as we have consistently provided hands-on support to agencies utilizing the system, overseen compliance with procurement rules, and distilled guidance to agency procurement staff. Our teams also oversee technology design and implementation of PASSPort to ensure that the system meets the needs of the users

Lisa M. Flores, Director 3/3: Testimony, Re – MOCS Budget and the City's complex procurement rules are appropriately built in. We have a strong crossfunctional approach within MOCS that enables constant communication so that system updates are informed by all key groups, user experience is prioritized, and any issues can be quickly resolved. This also creates an environment where team members with different perspectives and specializations can contribute to the reforms and initiatives I've outlined above.

In terms of budget and headcount, MOCS will work closely with OMB to ensure that we can deliver on our commitments to New Yorkers. We have a budgeted headcount of 194 in our agency, with a budget of \$18 million for personnel spending in FY23. Our OTPS budget in FY23 is \$19.9 million, largely comprised of contracts in support of the PASSPort system, including our contract with Ivalua, worth \$84 million in total over the course of 10 years. I provided details on this contract to your office after the prior hearing, but please let me know if there is any more information that you need. We are also supported by Accenture who provides system integration and maintenance support for several of our technical systems, including PASSPort. This contract is worth \$16.4 million over 3 years, and Accenture has been a valued partner in ensuring that we maximize the potential utility of our investment in PASSPort.

Once again, I thank you for taking the time to convene this hearing and engaging on the important questions of how we can make contracting work better for everyone. I am fully committed to working with each member in front of us today to devise solutions to continue improving the procurement process, and I welcome your feedback on the strategic initiatives we have shared so far. I am joined by First Deputy Director Ryan Murray, Chief Administrative Officer Jeremy Halbridge, and Chief Technology Officer Brandon Chiazza – we are happy to take any questions.



Testimony New York City Council Committee on Contracts Oversight Hearing on the FY23 Preliminary Budget Thursday, March 3, 2022

Submitted by Daniel Carinci, Senior Government Policy Analyst Catholic Charities Archdiocese of New York

Good afternoon Chair Won and the members of the City Council Committee on Contracts. I am Daniel Carinci, Senior Government Policy Analyst for Catholic Charities Archdiocese of New York. Thank you for the opportunity to testify today.

The Catholic Charities of the Archdiocese of New York seeks to uphold the dignity of each person as made in the image and likeness of God, by serving the basic needs of the poor, troubled, frail and oppressed of all religions. We collaborate with parishes, as well as non-Catholic and Catholic partners, to build a compassionate and just society. Through a network of administered, sponsored, and affiliated agencies, Catholic Charities delivers, coordinates, and advocates for quality human services and programs touching almost every human need.

We are encouraged by the City's renewed recognition of the financial and programmatic challenges nonprofits face due to late contract registrations and payments, cumbersome and inconsistent processes and regulations, and persistent gaps between contracted amounts and the true cost of services. Catholic Charities was grateful for the opportunity to participate in the Mayor and Comptroller's *A Better Contract for New York: A Joint Task Force to Get Nonprofits Paid on Time* and supports the swift implementation of the task force's recommendations, which will bring much-needed efficiency and accountability to the City's contracting process. That the majority of the Task Force's recommendations are assigned short and medium-term timelines (before the end of FY22 and during FY23, respectively), and involved nonprofit partners throughout the process, reflects a firm commitment to solving long-standing issues that will enable nonprofits to further enhance the services they offer to New York City's most vulnerable.

There are however recommendations classified as long term (to be implemented in FY24) that deserve more immediate attention in this budget cycle. While the reality of rising prices in most areas of economic activity has become especially apparent throughout the waves of the pandemic and subsequent recovery, nonprofits have for years operated with contracts that do not contain regular, predictable escalator clauses for not just wages but all direct costs. We support efforts to reimplement yearly Cost of Living Adjustments (COLAs) for city human services contracts in

line with the 5.4% figure included in the State's FY23 Executive Budget, but also call attention to the often year-over-year increases in rent, utility, insurance, and other expenses that are currently funded at flat rates for the life of a city contract. Particularly in light of current economic conditions, funding to implement recommendation 13 to "[c]reate contingency funding in human services contracts to reduce the need for amendments in connection with known escalating costs" should be provided in the FY23 budget.

Additionally, as a member of the Nonprofit Resiliency Committee that worked with the City to develop the Indirect Cost Manual, we are encouraged by the City's commitment to maintaining the Indirect Cost Rate Initiative and advocate for its continued funding in FY23 and future years. For FY23, funding should reflect that organizations that have an accepted rate for FY20 – FY22 will be applying for new rates, some of which may be higher than current rates. Funding should also be such that contracts that currently cap indirect cost rates at a level lower than an organization's indirect rate can fully cover this difference.

Thank you for the opportunity to testify today and thank you for continuing to serve the great City of New York. Please do not hesitate to contact me for any additional detail, and we look forward to working with you to advance the needs of New York City's most vulnerable. From: Sent: To: Subject: Lew Bader <lew@counselinginschools.org> Friday, March 4, 2022 9:23 AM Testimony [EXTERNAL] March 3, 2022: Committee on Contracts

Counseling In Schools is a non-profit community based organization. We have been providing services to more than 7000 students each year in New York City Schools since 1986, helping them with their social and emotional growth which is as important as their intellectual growth. This year, as you might imagine, these critical services are in high demand.

You would think that the city and the Department of Education (DOE) would treat our organization as critical as well. Instead, we are tasked with supporting the payroll of more than 100 social workers and youth workers, the supplies to assist in their efforts and the infrastructure that keeps our organization running, with VIRTUALLY NO FUNDING thus far in Fiscal 2022. We have nine major programs with the city that total \$3.7 million. Thus far two of those programs have approved, registered contracts and budgets. To date we have only received \$280,000.

On top of that, the Mayor's Office of Contract Services (MOCS) approved an increase to our Indirect Rate for Fiscal 2021 and forward. This will provide us with about another \$150,000 a year in funding. To date, we have received nothing from MOCS and our DOE and Department of Youth and Community Development (DYCD) contracts are not recognizing the rate.

The deficits we are being forced to work with are not just unfair - they are unmanageable. These are ALL of New York City's children - YOURS and OURS - that desperately need the social and emotional support we provide. These are VITAL programs that we run at THE CITY'S REQUEST. Fund them appropriately so that our people can continue to meet the needs of the children, the families, the schools and the communities of this city.

Additionally, it should be noted that we did not receive a COLA this year. The reason given was that because there were new contracts and COLA was taken into account. However, this was not the case. Funding is level with previous years.

We are proud members of the <u>#JustPay campaign</u>, which is a racial equity and gender justice campaign committed to ending the government exploitation of human services workers by demanding sector employees under contract with the New York City and State be paid fair wages for their labor.

Each year you hear from providers who are struggling due to the crisis of compounding underfunding of the human services sector as City budgets are balanced on the backs of low-income neighborhoods and BIPOC communities. This practice has resulted in poverty-level wages for human services workers, who are predominantly women (66%) and people of color (68%). To address this crisis, we ask the City to immediately adopt three core reforms:

- 1. Establish, fund, and enforce an automatic annual cost-of-living adjustment (COLA) on all human services contracts.
- 2. Set a living wage floor of no less than \$21 an hour for all City and State funded human services workers.
- 3. Create, fund, and incorporate a comprehensive wage and benefit schedule for government contracted human services workers comparable to the salaries made by City and State employees in the same field.

The COLA is the biggest action that can be taken right now, during this budget season. We ask that the Council include an important COLA for all human services workers, as these workers haven't seen an increase from City contracts in the last two years. Ideally we would love to see a multi-year COLA agreement, but in the absence of that, we are asking for a 5.4% COLA based on the consumer price index which mirrors the State COLA included in the Governor's budget. This would be about an \$108 million investment in an essential community workforce.



Lew Bader Finance Director, Counseling In Schools 212-663-3036 x317 | 516-967-6201 counselinginschools.org lew@counselinginschools.org 505 Eighth Avenue, Suite 12A-06 New York, NY 10018



TESTIMONY

New York City Council Committee on Contracts Preliminary Budget Hearing March 3, 2022

Submitted by: Gloria Kim Senior Policy Analyst Human Services Council of New York

Introduction:

Good morning and welcome Chair Won, and members of the New York City Council Committee on Contracts. My name is Gloria Kim, and I am the Senior Policy Analyst of 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.

The Human Services Council greatly appreciates the partnership with the City Council in addressing contracting issues nonprofits face and are pleased with the collaboration between Mayor Adams and Comptroller Lander on the Joint Task Force to Get Nonprofits Paid on Time. This is a significant achievement and look forward to the City implementing these reforms, which will not only support human services organizations, but also the communities that they serve.

Without procurement reform, our sector continues to face structural barriers and systemic underfunding that have created a crisis. While our processes have greatly improved, significant investment and changes are urgently needed. Across the State, providers are reporting large deficits stemming from inadequate government reimbursement levels and an inability to fundraise their way out of the gap, especially during the pandemic. Even though human services were a lifeline to communities during the peak and recovery of COVID-19, as of 2018, almost 20

percent of New York City human services nonprofits were fiscally insolvent because the true cost of delivering services was rarely covered by government contracts.

We are happy to see our longtime partner Lisa Flores as the Director of MOCS and Chief Procurement Officer. Her experience and knowledge of nonprofit contracts is much appreciated and much needed. Unfortunately, MOCS has inherited a huge backlog of contract actions that are pending, some are years old, and it is crucial that MOCS clean up the backlog of contracts as nonprofits struggle with the delays in the procurement process. In 2021, HSC convened a human services recovery taskforce, and two of the four recommendations that group put together revolve around procurement. As part of the taskforce, we surveyed our members, and it was no shock that delays in payments from the City and State wreak havoc on nonprofits, with 70% of organizations reporting a delayed payment from the City and 60% from the State in the last year. Last year, the average value of delayed payments from the City was \$8,025,000. Nearly 46% of respondents were forced to take out loans or draw on a line of credit due to withheld or delayed payments—sometimes at significant cost. The average annual cost of interest for those loans is reported as \$223,000.

Moreover, providers have worked with the City on the Indirect Cost Rate Initiative over the past 3 years and are generally satisfied with the process. However, it is critical that MOCS reopen the ICR process immediately so that providers can apply for their indirect rates before July 1st. Organizations should not have to scramble to put together resources as they are in the dark on whether they will receive their full indirect rate putting their operations and programs at risk. It is also important that indirect funding become baselined and moved to City agencies as standard agency funding instead of an initiative. Without permanent indirect funding, it prevents providers from spending crucial dollars on supporting the full organization such as upgrading IT for both remote service delivery and cybersecurity, time spent complying with government requests, and cleaning and maintenance – particularly crucial during COVID-19.

Despite the obstacles that nonprofits face and the essential services that they provide their communities, human services workers are some of the lowest paid workers in New York's economy. Therefore, we ask that you support the <u>#JustPay campaign</u>, which is a racial equity and gender justice campaign committed to ending the government exploitation of human services workers by demanding sector employees under contract with the New York City and State be paid fair wages for their labor. Each year you hear from providers who are struggling due to the crisis of compounding underfunding of the human services sector as City budgets are balanced on the backs of low-income neighborhoods and BIPOC communities. This practice has resulted in poverty-level wages for human services workers, who are predominantly women (66%) and people of color (68%). To address this crisis, we ask the City to immediately adopt these core reforms:

1. Establish, fund, and enforce an automatic annual cost-of-living adjustment (COLA) on all human services contracts.

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. These are 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. Yet despite all of this, they are drastically underpaid. This government-sanctioned "poverty pay" has resulted in nearly 25% of all human services workers qualifying for food stamps in 2016-2018. Low wages also have a sweeping effect on workplace condition and the outcome of programs, with high staff turnover and vacancy rates resulting in heavy and unsustainable workloads. <u>A 5.4% COLA on the personal services line of all human services contracts at the cost of \$108 million is needed in the FY23 budget to ensure this vital workforce does not slip further into poverty.</u>

2. Set a living wage floor of no less than \$21 an hour for all City and State funded human services workers.

The systematic underinvestment in nonprofits is not an accident; the sector is treated this way because of who human services serve and employ. This has created a system where there is no money to keep up with the demand for services or holistically raise wages across all staff lines without increased funding. The average human services contract in New York pays only 70 cents on the dollar for direct program expenses. This chronic underfunding puts providers in the impossible position of taking contracts that do not pay fair wages nor fully fund needed services or turn down those contracts, lay off employees, and close vital community programs. The City is not getting a deal by chronically underfunding homeless shelters, foster care agencies, food pantries, and senior centers; it is directly harming the low wage workers who keep these programs running. A living wage floor of no less than \$21 an hour is vital as the human services workforce has been toiling under City-contracted poverty wages long before the devastating effects of COVID-19.

3. Create, fund, and incorporate a comprehensive wage and benefit schedule for government contracted human services workers comparable to the salaries made by City and State employees in the same field.

Because the Government is the predominant funder of human services, they are also the primary driver of human services salaries. Under this system, it is the workers themselves who have borne the brunt of decades of chronic underfunding all while ensuring programs with inadequate funding meet their targets. Government contracts either directly set low salary levels or do so indirectly by establishing low rates for services along with required staffing levels on a contract. This creates low start salaries that are often stagnant because human services contracts last five to seven years (or more) with no opportunity for cost-escalators to allow for increasing workers' salaries. A comprehensive wage and benefit schedule is needed as workers, advocates, providers, and elected officials continue to work together to ensure that human services workers finally earn fair pay for their labor.

Conclusion:

The sector continuously experiences underfunding and financial stress through the lack of a permanent commitment to sufficient indirect funding, inadequate payment for services, and chronically delayed procurement processes, which prevents providers from cultivating a strong

infrastructure. Government must support the sustainability of organizations and their programs by fully funding the sector.

We also ask that the City Council join us in the <u>#JustPay campaign</u> as these urgent investments are needed while workers, advocates, providers, and elected officials continue to work together on more comprehensive solutions to ensure that human services workers finally earn fair pay for their essential labor.

Thank you for providing me with this opportunity to testify about the state of the human services sector. We greatly value your partnership, and know you stand with us in our call for procurement reform to support human services organizations.

Gloria Kim Senior Policy Analyst kimg@humanservicescouncil.org



THE KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

Testimony Before the New York City Council Budget and Oversight Hearings on The Preliminary Budget for Fiscal Year 2023 Committee on Finance March 3, 2022

Testimony of Bryan Lee, Program Manager Korean Community Services of Metropolitan New York, Inc. (KCS)

Good afternoon. My name is Bryan Lee, and I am a Program Manager for Workforce Development at Korean Community Services. I would like to thank Chair Brannan and members of the Committee on Finance for letting me share with you on the importance of funding for Asians and Pacific Islanders (API) communities and the community-based organizations, like KCS, the first, and the largest social service agency serving Korean Americans, other immigrants, and any others in need of assistance, in the NY Metropolitan area.

Founded in 1973, the Korean Community Services of Metropolitan New York, Inc. has been serving the Korean-American population, as well as the wider immigrant communities through the provision of programs in the areas of Aging, Education, Immigration, Workforce Development, Public Health and Mental Health. KCS continues to operate under the mission of helping immigrants fully integrate into society and overcome any economic, health and social barriers so that they become independent and thriving members of the community.

For me, after spending over a decade in the private sector in database science, this is the start of a new career and my second year at a non-profit organization. During my short, yet significant time here at KCS, I have been a witness to hundreds of low-income individuals from vulnerable populations being able to secure job placement through the help of KCS' workforce programs. Most notably, our Senior Community Service Employment Program (SCSEP), which focuses on providing paid internships to seniors 55+, leading to full-time job positions, represents a large portion of how we improve job prospects to those who need it most. We have accomplished recruiting and placing 78 seniors in internship programs across the New York Metropolitan area in the last operating year. 55% of these participants were hired at those agencies, and 45% were hired by other employers. KCS' Workforce also, through state grants from NYS OTDA and the NYSDOL, administered an impactful Emergency Rental Assistance Program (ERAP) and Excluded Workers Fund (EWF). In two months, KCS directly assisted 238 working clients that were unable to receive Unemployment Insurance Benefits during the pandemic due to immigration status. Each client received a debit card containing \$15,600, able to be utilized at any time to retrieve cash or to pay for services. Additionally, our Emergency Rental Assistance Program (ERAP), administered by OTDA, was and continues to be abundantly successful in keeping tenants free from eviction and also, for landlords to maintain their rental housing income. Since June 2021, KCS has directly assisted 1,442 clients in the form of tenants and landlords to pay off a maximum of 15 months of rental and utility arrears, and to reconcile relationship differences that arose from non-payment of rent due to COVID-19 hardships. KCS' Workforce has been a steady force in creating jobs and educating those in need of financial, technical, and language literacy through its Career Readiness Program. Since 2018, CRP has equipped underemployed, low-

KCS Main Office	Corona Senior Center	Flushing Senior	Public Health and	Brooklyn	Mental Health
Adult Daycare Afterschool	Korean Mutual	Center	Research Center	Project	Clinic
Immigration ESOL	Aid Society		Workforce Development	, i i i i i i i i i i i i i i i i i i i	
203-05 32 nd Avenue		42-15 166th Street	_	8710 5th Ave. 1FL	42-16 162nd Street, 2FL
Bayside, NY 11361	37-06 111 th Street	Flushing, NY 11358	2 W 32nd Street, Ste. 604	Bay Ridge,	Flushing, NY 11358
Tel: (718) 939-6137	Corona, NY 11368	Tel: (718) 886-8203	New York, NY 10001	NY 11209	Tel: (718) 366-9540
Fax: (718) 886-6126	Tel: (718) 651-9220	Fax: (718) 886-8205	Tel: (212) 463-9685	Tel: (718) 630-0001	Fax: (718) 534-4149
	Fax: (718) 478-6055		Fax: (212) 463-8347	Fax: (718) 630-	
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THE KOREAN COMMUNITY SERVICES OF METROPOLITAN NEW YORK, INC.

income, Korean-American immigrants with the tools they need to gain confidence and pursue more sustainable employment. An average of 50 participants, yearly, have been nurtured by our workshops and given one-on-one employment counseling, and 54% of these participants were gainfully employed as a result of CRP. As is evident in our post-assessments for all programs, clients that have participated in our programs have reached, or are in the process of reaching their goal(s).

As you can see, the path to sustainable employment involves supplemental support in various forms of services. Job placement for a client may seem like the end-goal as a workforce department, however, to truly maximize that individual's potential, a more robust social services model is necessary. Frankly, before joining KCS, I was hesitant to believe that older individuals would be able to perform meaningful work, but by being able to navigate each client through case management, and providing individual assessments to expand their skillset, they are now extremely valuable contributors to employers in our community. In order to provide these critical services that ultimately lead to successful job placement and also job improvement, we must secure additional funding, not only in specifically workforce development, but also in the surrounding, supplementary services that will transform KCS into a one-stop shop resource center for these community members. We must be able to navigate LEP clients to language classes, we must provide technical literacy training to those lacking computer skills, we must counsel individuals that have never wrote a resume or performed an interview, we must even ensure that these low-income members of society are adequately housed and medically and financially secure. There is a need, and seeing that need being fulfilled has been rewarding, however, there is still an immense pool of deprived New Yorkers anxiously waiting for their turn to be helped. With proper funding, KCS will be even better equipped to lift our community to the next level.

We hope that NYC will continue its commitment to the API community by considering the suggestions contained in this letter. We welcome the opportunity to further discuss these issues with you.

Thank you for this opportunity to share our story.

KCS Main Office Adult Daycare Afterschool Immigration ESOL	Corona Senior Center Korean Mutual Aid Society	Flushing Senior Center	Public Health and Research Center Workforce Development	Brooklyn Project	Mental Health Clinic
203-05 32 nd Avenue Bayside, NY 11361 Tel: (718) 939-6137 Fax: (718) 886-6126	37-06 111 th Street Corona, NY 11368 Tel: (718) 651-9220 Fax: (718) 478-6055	42-15 166th Street Flushing, NY 11358 Tel: (718) 886-8203 Fax: (718) 886-8205	2 W 32nd Street, Ste. 604 New York, NY 10001 Tel: (212) 463-9685 Fax: (212) 463-8347	8710 5th Ave. 1FL Bay Ridge, NY 11209 Tel: (718) 630-0001 Fax: (718) 630- 0002	42-16 162nd Street, 2FI Flushing, NY 11358 Tel: (718) 366-9540 Fax: (718) 534-4149

Testimony of Deidre Sully, MPH Senior Director of Health Policy and Community Affairs

On Behalf of



Public Health Solutions Before the

New York City Committee on Contracts

Regarding

The need for efficiency and inclusion in the execution process for city contracts with human

service organizations.

New York City Remote Hearing

March 3rd, 2022 12:00 PM

Public Health Solutions at 40 Worth Street, 4th Floor, New York, NY 10013 (646) 619-6450 | <u>DSully@healthsolutions.org</u> | www.healthsolutions.org

My name is Deidre Sully, I am the Senior Director of Health Policy and Community Affairs at Public Health Solutions (PHS).

To Committee Chair Won, and the New York City Council Committee on Contracts, I thank you for your time today and your commitment to listening to the critical need for efficiency and inclusion in the execution process for city contracts, especially for public health and social service non-profits. At PHS, we are dedicated to improving the health of the public in New York City and beyond through service delivery, research, capacity building and policy analysis. Public Health Solutions' mission is to implement innovative, cost-effective, and population-based public and community health programs, conduct research that provides insight on public health issues, and provide services to other nonprofit organizations to address public health challenges. PHS programs focus on a range of issues including food security and nutrition, maternal and child health, reproductive health, HIV prevention and care, healthcare access and tobacco control.

Today's testimony is focused on addressing the reality of (1) the negative effects on nonprofits because of late executions of City contracts, and (2) contracting with public health and social service organizations in ways that enable them to establish a fair and equitable wage for human services workers.

The Need for Timely Execution of City Contracts

Resources for public health programming are key to closing the health equity gap. PHS addresses this issue through both contracting and management services as well as direct service programming. Each of these programs have initiatives that rely on the City contracting process, and any delays put our clients in jeopardy of not being able to access care. When contracts are late, we are compelled to begin programs on time in order to provide crucial services to vulnerable populations. Late contracts also mean that all associated disbursements and payments for the contract are late, and organizations are forced to front-load funding for programs in order to meet contract /program deliverables. This inevitably affects internal budgets. The task force being created by both Mayor Adams and Comptroller Lander is a great first step, however it must be reiterated that these cannot be empty words but must be backed by swift action.

Our direct service programs like Sexual and Reproductive Health (SRH), Access Health, and Maternal and Child Health are all aimed at providing vital services that improve the health of low-income and high-risk families and communities throughout New York City.

Sexual and Reproductive Health - Women of color are disproportionately affected by adverse sexual and reproductive health outcomes compared with women of other races and ethnicities. PHS' Sexual and Reproductive Health Centers provide affordable, comprehensive, and confidential reproductive and sexual healthcare to more than 4,000 women, men, and adolescents each year. Throughout COVID, while many places closed, our SRH centers (Fort Greene and Brownsville, Brooklyn) remained open serving New York City's vulnerable communities. Nearly two-thirds of our clients live below the poverty line; more than half rely on public health insurance programs; and almost a quarter lack health insurance altogether. City Council initiatives like dedicated contraception allow us to maintain and preserve the quality and availability of services where they are most needed. This initiative is critical to our SRH Program allowing us to continue providing comprehensive sexual and reproductive health care services from STI education and treatment to pregnancy testing, among others.

<u>Access Health NYC</u> – PHS is a part of the city-wide collaborative of community-based organizations that help underserved New Yorkers gain access to healthcare and coverage. We engage medically underserved areas and facilitate access to services most urgently needed during the COVID-19 pandemic: affordable housing, cash/rental assistance, emergency food, and health care access. Over the past 16 years of providing health insurance assistance, our multilayered and varied services have helped promote a steady flow of clients and works toward eliminating health care disparities. We want to ensure that this remains constant.

<u>Maternal and Child Health</u> - Annually, PHS serves 1,300 families through our home visiting program, an additional 2,000+ families have been connected to other community services like our Queens Diaper Bank, and Breastfeeding Warmline. Helping pregnant individuals receive culturally relevant support throughout pregnancy helps to control and reduce several key risk factors that make adverse outcomes more likely. This approach centers on individual goals and prioritizes prevention. Increasing family health and well-being are powerful drivers of equity. On average, PHS experienced waits of over 6 months for contract execution, many times spending against the program budget as a show of good faith. At times, contracts have been received after the close of our fiscal period. A nonprofit delivering services under an unregistered contract faces a growing cash flow burden associated with the unreimbursed expenses. ¹ It must also pay interest and fees on the debt it uses to finance this cash flow need – if it can be financed at all.¹¹ A nonprofit's ability to weather the delay of a given contract depends upon its pre-existing financial resources, the relative size of the contract, and the length of the delay.¹¹¹ Not only do these significant delays cost unnecessary and financial burdens, but it also puts a hold on the public health and social services that our clients seek and need.

Enabling Contracts to Establish Fair Wages for Human Service Workers

To attain our mission and vision, we must first ensure that our human services workforce is duly compensated in a manner that allows them to keep pace with ever rising costs to maintain basic needs of food, clothing, and shelter. When the City contracts with nonprofits to provide services aimed at addressing and ameliorating impacts of poverty, paying poverty wages is unacceptable.^{iv} For this reason, PHS has joined forces with several NYC-based nonprofits and is a proud member of the <u>#JustPay campaign</u>, which is a racial equity and gender justice campaign committed to ending the government exploitation of human services workers by demanding employees in this sector who are under contract with New York City and State be paid fair wages for their labor.

Moreover, it must be acknowledged that the human services sector is a larger cohort than just clinic-based employees and includes workers whose tasks are social service based as well, much like PHS' direct service programs. Each year the Council hears from providers who are struggling due to the crisis of compounded underfunding of the human services sector, as City budgets are balanced on the backs of low-income neighborhoods and BIPOC communities. This practice has resulted in poverty-level wages for human services workers, who are predominantly women (66%) and people of color (68%). To address this crisis, we ask the City to immediately adopt three core reforms:

- 1. Establish, fund, and enforce an automatic annual cost-of-living adjustment (COLA) on all human services contracts.
- 2. Set a living wage floor of no less than \$21 an hour for all City and State funded human services workers.
- Create, fund, and incorporate a comprehensive wage and benefit schedule for government contracted human services workers comparable to the salaries made by City and State employees in the same field.

Establishing a COLA is the biggest action that can be taken right now, during this budget season. We ask that the Council include an important COLA for all human services workers, as these workers have not seen an increase from City contracts in the last two years. City contracts must enable nonprofit service providers to pay human service workers a fair wage that allows workers to live above the poverty line in NYC, a wage that reflects the importance of the work and expertise of the worker, and a wage that is equitably distributed across race, gender, gender identity, sexual orientation, age and disability, immigration status, language, and nationality.

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Public Health Solutions - the largest public health nonprofit organization in New York City, improves health among New York City's most vulnerable populations by tackling social, physical, and environmental factors that impact New Yorkers' ability to thrive. Today, PHS serves 200,000+ New Yorkers annually, and we support the work of more than 200 community-based nonprofit organizations. We implement innovative, cost-effective population-based health programs; conduct research providing insight on effective public health interventions; and provide services to government and other nonprofits to address public health issues. Together with our colleagues in the social services sector, government, philanthropy and policy organizations, we are thought leaders and cutting-edge public health professionals in New York City and New York State. To learn more, please visit us at <u>http://www.healthsolutions.org</u>.

ⁱⁱⁱ "New York City Contract Delays" SeaChange Capital Partners. <u>NYC-Contract-Delays-The-Facts.pdf</u> (seachangecap.org)

^{iv} Nonprofit New York. <u>https://www.nonprofitnewyork.org/act/2021-nonprofit-policy-platform/</u>

ⁱ "New York City Contract Delays" SeaChange Capital Partners. <u>NYC-Contract-Delays-The-Facts.pdf</u> (seachangecap.org)

[&]quot; "New York City Contract Delays" SeaChange Capital Partners. <u>NYC-Contract-Delays-The-Facts.pdf</u> (seachangecap.org)

TAKEROOT JUSTICE

Testimony to the NYC City Council Committee on Contracts Preliminary Budget Hearing for FY 2022

March 3, 2022

Good afternoon. My name is April Herms. I am speaking today as the Interim Co-Director of TakeRoot Justice, a nonprofit organization that provides legal services to New York City's low-income communities. TakeRoot's mission is to provide legal, participatory research and policy support to strengthen the work of grassroots and community-based groups in New York City to dismantle racial, economic and social oppression.

Thank you for the opportunity to testify as the Council prepares its response to the Mayor's preliminary FY2022 budget. TakeRoot has received City Council discretionary funding to support its work on behalf of NYC communities for nearly fifteen years. We greatly appreciate the Council's support of our work, yet have also found this funding to be a double-edged sword because of the immense challenges and delays in the city contracting process.

Because the Council passes its budget in June for the fiscal year that starts on July 1st, discretionary funding contracts are not registered until several months after the start of the fiscal year. In some cases it is 6, 9 or even 12 or more months before they are registered. During this waiting period, city-funded nonprofit organizations are expected to start providing services right away and front the money for doing so until their contracts are registered and they can be reimbursed.

This places immense financial strain on these organizations, which must find other sources of financial support to cover the operating costs for these city-funded programs. In many cases nonprofits must resort to taking out lines of credit to support their operations, which carry interest charges that often cannot be charged to the city contracts that these funds are being used to cover.

The city has a Returnable Grant Fund through the Fund for the City of New York to provide bridge loans for delayed contracts, but these loans are not always available and are only granted when the contract is pending registration at the Comptroller's office, several months into



the registration process. Moreover the process for obtaining these loans is often complex and differs depending on the city agency that manages the contract.

Recently the Comptroller's office issued a report from the Join Task Force to Get Nonprofits Paid on Time that identified the major challenges in the city contracting process and made nineteen key recommendations for improving it. TakeRoot Justice strongly urges the Council and MOCS to review and adopt these reforms. Doing so would lower the prohibitive cost of doing business with the city for nonprofit organizations, and allow us to focus on our missions of providing critical services to New Yorkers in need.

Thank you for the opportunity to testify today.



TESTIMONY: UJA-FEDERATION OF NEW YORK New York City Council — Committee on Contracts Preliminary Budget Hearing

Julie Won, Chair

Submitted by: Hillary Stuchin, Director, Government & External Relations March 3, 2022

On behalf of UJA-Federation of New York, our network of nonprofit partners, and those we serve, thank you, Chair Won and members of the Committee on Contracts for the opportunity to submit testimony related to nonprofit contracting and the Mayor's Preliminary Budget.

Established more than 100 years ago, UJA-Federation of New York is one of the nation's largest local philanthropies. Central to UJA's mission is to care for those in need—identifying and meeting the needs of New Yorkers of all backgrounds and Jews everywhere. UJA has more than 50 thousand engaged donors in the New York area, supports an expansive network of nearly 100 nonprofit organizations serving those that are most vulnerable and in need of programs and services, and allocates over \$150 million each year to strengthen Jewish life, combat poverty and food insecurity, nurture mental health and well-being and respond to crises here and across the globe.

Nonprofit Contracting

New York City provides a wide range of human services to low-income and vulnerable individuals and families to address a myriad of needs including: food supports, older adult services, shelter, supportive housing, mental health care, workforce development, and legal services. These services are provided by nonprofits and managed through contractual relationships.

A contract governs the nature of the services received; dictates who is eligible for the services, and how the services will be administered. However, the ability of nonprofit organizations to provide the services required by their contracts is challenged by a host of issues that can jeopardize service delivery, including late registration and inadequate and delayed reimbursement for services rendered.

Nonprofit human services contracts experience significant delays. According to the recently released *A Better Contract for New York*, more than 75% of contracts were registered after the contract start date in FY22^[1]. Late registration forces nonprofits to begin service delivery without startup costs or payments covered.

UJA participated in Mayor Adams and Comptroller Lander's Joint Task Force to Get Nonprofits Paid on Time, which produced *A Better Contract for New York*. UJA looks forward to the City implementing these reforms, which will directly support human services organizations and the communities they serve.

Unfortunately, the Mayor's Office of Contract Services (MOCS) under the new Administration, has inherited an extensive backlog of contract actions that are pending, some are years old, and it is crucial that MOCS clean up the backlog of contracts as nonprofits struggle with the delays in the procurement process. According to a survey by the Human Services Council of its membership, 70% of organizations reported delayed payment from the City in the last year. Nearly 46% of respondents were forced to take out loans or draw on a line of credit due to withheld or delayed payments—sometimes at significant cost. The average annual cost of interest for those loans is reported as \$223,000.

Moreover, providers have worked with the City on the Indirect Cost Rate Initiative over the past three years and are generally satisfied with the process. However, it is critical that MOCS reopen the ICR process so that providers can apply for their indirect rates before July 1st. It is also important that indirect funding be baselined and moved to City agencies as standard agency funding instead of an initiative. Without permanent indirect funding, providers are prevented from spending crucial dollars on supporting the full organization, such as upgrading IT for both remote service delivery and cybersecurity, time spent complying with government requests, and cleaning and maintenance – particularly crucial during COVID-19.

Despite the obstacles that nonprofits face and the essential services that they provide their communities, human services workers are some of the lowest paid workers in New York's economy. Therefore, we ask that you support the <u>#JustPay campaign</u>, which demands that human services sector employees under contract with the New York City and State be paid fair wages for their labor. The campaign requests the following reforms:

1. Establish, fund, and enforce an automatic annual cost-of-living adjustment (COLA) on all human services contracts.

Years of underfunding of the sector have resulted in the human services workforce being some of the lowest compensated workers in New York City. These are workers who do some of the most important jobs in our communities; they care for 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. Yet despite all of this, they are drastically underpaid. As a result, nearly 25% of all human services workers qualified for food stamps in 2016-2018. Low wages also lead to high staff turnover and vacancy rates at a time when retention and recruitment are particularly challenging. <u>A 5.4% COLA on the personal services line of all human services contracts is needed in the FY23 budget to ensure this vital workforce does not slip further into poverty. This investment is estimated to cost \$108 million.</u>

2. Set a living wage floor of no less than \$21 an hour for all human services workers.

There is longstanding underinvestment in the human services sector, making it difficult for providers to keep up with the demand for services or holistically raise wages across all staff lines without increased funding. The average human services contract in New York pays only 70 cents on the dollar for direct program expenses. This chronic underfunding puts providers in the impossible position of taking contracts that neither pay fair wages nor fully fund services or turn down those opportunities—resulting in laying off employees and closing vital community programs. A living wage floor of no less than \$21 an hour is vital to helping retain and recruit a committed and talented human services workforce.

However, not all employees at human services nonprofits are paid 100 percent through City contracts. When salaries are increased for contracted workers, there is an unintended spillover effect that must be addressed. If a higher wage floor were put in place, providers would have to find the funds to increase wages for workers not paid through City contracts, which would create undue burden particularly at time when nonprofits are struggling more than ever. We implore the Administration and Council to not overlook these workers and consider ways to support the full workforce.

3. Create, fund, and incorporate a comprehensive wage and benefit schedule for government contracted human services workers comparable to the salaries made by government employees in the same field.

Because the Government is the predominant funder of human services, they are also the primary driver of human services salaries. Under this system, it is the workers themselves who have borne the brunt of decades of chronic underfunding all while ensuring programs with inadequate funding meet their targets. Government contracts either directly set low salary levels or do so indirectly by establishing low rates for services along with required staffing levels on a contract. This creates low starting salaries that are often stagnant because human services contracts last five to seven years (or more) with no opportunity for cost-escalators to allow for raises. A comprehensive wage and benefit schedule is needed as workers, advocates, providers, and elected officials continue to work together to ensure that human services workers finally earn fair pay for their labor.

Conclusion:

The sector continuously experiences underfunding and financial stress through lack of permanent commitment to sufficient indirect funding, inadequate payment for services, and chronically delayed procurement processes.

UJA thanks the Council for its ongoing support of the sector, and hopes you will consider these requests. Please contact Hillary Stuchin (<u>stuchinh@ujafedny.org</u>) with any questions.



Testimony of United Neighborhood Houses Before the New York City Council Committee on Contracts Council Member Julie Won, Chair

FY23 Preliminary Budget Hearing

Submitted by Nora Moran, Director of Policy and Advocacy March 3, 2022

Thank you Chair Won and members of the New York City Council Committee on Contracts for the opportunity to testify. My name is Nora Moran and I am Director of Policy and Advocacy at United Neighborhood Houses (UNH). UNH is a policy and social change organization representing 45 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.

This testimony focuses on how the City can strengthen its contracting process in FY23 and beyond to support community-based organizations operating key programs that serve New Yorkers.

Contracting Overview

UNH's settlement house members contract with a variety of New York City agencies to provide essential services, including the Department of Education (DOE), Department of Homeless Services (DHS), Department for the Aging (DFTA), Department of Youth and Community Development (DYCD), and the Human Resources Administration (HRA). These contracts provide crucial services for New Yorkers, including early childhood education, services for homeless new yorkers, senior centers and congregate/home delivered meals, afterschool and youth workforce programming, workforce development, and case management and benefits administration. When New Yorkers need assistance, settlement houses and community-based organizations (CBOs) are there to help and go above and beyond to meet any needs they have. Unfortunately, the City's contracting process creates significant burdens for their nonprofit partners. While settlement houses and CBOs work tirelessly to ensure uninterrupted access to social services for New Yorkers, the City is chronically delayed with contract registration and payments. In FY2022, over three quarters of contracts were registered after their start date, and payments for programs with some agencies take months, even years to process. UNH and our partners have long advocated for improvements to make this process more efficient. Most recently, UNH joined other advocates and government partners on Mayor Adams' and Comptroller Lander's joint task force to get nonprofits paid on time. The action memo that the task force produced, "A Better Contract for New York," includes several important reforms that would ease burdens for providers and ensure that services are delivered in a timely and efficient manner. We strongly urge Mayor Adams, Comptroller Lander, the Mayor's Office of Contract Services (MOCS), and all health and human service agencies to work together to implement these recommendations, and UNH looks forward to the work ahead to make these recommendations a reality.

Additionally, UNH supports the #JustPay campaign, an effort to raise the wages of the human services workforce. Low wages are one of the biggest challenges our settlement house members face, and lately settlement houses have struggled to retain staff as inflation has risen and the cost of living has gone up. Furthermore, settlement houses often compete directly with the City for staffing, regularly losing staff to the DOE, who pay higher wages and offer more competitive benefits. Raising wages and improving benefits for the human services workforce is what is right for these workers, as well as good for the City's economy overall.

FY23 Budget Recommendations

In order to support community-based organizations, UNH urges the City to take the following steps in the FY23 budget process:

1. Reopen the Indirect Cost Rate Initiative process and approve old amendments quickly.

In 2019, MOCS and City Hall instituted the Indirect Cost Rate (ICR) Initiative, a process by which providers were able to claim an indirect rate for their contracts that more accurately represented true costs. After years of underfunding for indirect costs, providers were able to select a 10% de minimus rate, submit documentation in accordance with the City's new Cost Manual documenting their higher rate, or submit their federally-approved rates for use on their City contracts. Providers were generally satisfied with that process, but these rates were only approved by MOCS for three years. The City must reopen the process and provide clear and timely guidance for providers to renew their rates and ensure that there is no interruption to their contracting processes. The City also must baseline indirect funding within the various City agencies' budgets as standard agency funding, instead of an initiative that is specifically budgeted for. Without both permanent indirect funding and an ongoing approved rate, providers are unable to spend on longer-term items that could support organizational operations, such as upgrading IT for both remote service delivery and cybersecurity, and cleaning and maintenance – particularly crucial during COVID-19. Finally, many providers have not received funding from their contract amendments for higher rates from several fiscal years ago. MOCS must process these amendments quickly so that providers can receive much-needed funds.

2. Establish, fund, and enforce an automatic annual cost-of-living adjustment (COLA) on all human services contracts.

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. These are 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. Yet despite all of this, they are drastically underpaid. This underfunding by government has resulted in nearly 25% of all human services workers qualifying for food stamps in 2016-2018. Low wages also have a sweeping effect on workplace conditions and the outcome of programs, with high staff turnover and vacancy rates, translating to heavy and unsustainable workloads. A 5.4% COLA on the personnel services line of all human services contracts at the cost of \$108 million is needed in the FY23 budget to ensure this vital workforce does not slip further into poverty.

3. Set a living wage floor of no less than \$21 an hour for all City and State funded human services workers.

The systematic underinvestment in nonprofits is not an accident; the sector has been left behind because of who human services serve and employ–primarily women of color. This has created an inequitable system where there is no money to keep up with the demand for services or holistically raise wages across all staff lines without increased funding. The average human services contract in New York pays only 70 cents on the dollar for direct program expenses. This chronic underfunding puts providers in the impossible position of taking contracts that do not pay fair wages nor fully fund needed services or turn down those contracts, lay off employees, and close vital community programs. The City is not getting a deal by chronically underfunding homeless shelters, foster care agencies, food pantries, and senior centers; it is directly harming the essential workers who keep these programs running. A living wage floor of no less than \$21 an hour is vital as the human services workforce has been toiling under City-contracted poverty wages long before the devastating effects of COVID-19.

4. Create, fund, and incorporate a comprehensive wage and benefit schedule for government contracted human services workers comparable to the salaries made by City and State employees in the same field.

Because the Government is the predominant funder of human services, they are also the primary driver of human services salaries. Under this system, it is the workers themselves who have borne the brunt of decades of chronic underfunding, all while ensuring programs with inadequate funding meet their targets. Government contracts either directly set low salary levels or do so indirectly by establishing low rates for services while simultaneously setting required staffing levels on a contract. This creates low start salaries that are often stagnant because human services contracts last between five to seven years (often longer with extensions) with no opportunity for cost-escalators to allow for increasing workers' salaries. A comprehensive wage and benefit schedule is needed as workers, advocates, providers, and elected officials

continue to work together to ensure that human services workers finally earn fair pay for their labor.

Thank you for your time and the opportunity to testify today. For more information, or to answer any additional questions, you can reach me at nmoran@unhny.org.



Testimony New York City Council Committee on Contracts Fiscal Year 2023 Preliminary Budget Hearing March 3rd, 2022

Good afternoon, Chair Won and members of the Committee. My name is Nicole McVinua, and I am the Director of Policy at Urban Pathways. Thank you for the opportunity to testify today on the need to support the human services workforce and to continue the Nonprofit Indirect Cost Rate Initiative in the Fiscal Year 2023 budget.

Urban Pathways is a nonprofit homeless services and supportive housing provider that has been serving the New York City community since 1975. We assist single adults through a unique combination of street outreach, drop-in services, safe havens, extendedstay residences, and permanent supportive housing. We also offer a wide range of additional programming to meet the needs of our clients, including our Total Wellness Program, UPwards Employment Program, and Consumer Advocacy Program. Our services focus on people experiencing chronic street homelessness and living with mental health disorders. Additionally, we offer two programs that specifically serve people exiting incarceration. Urban Pathways serves approximately 3,900 New Yorkers annually in four boroughs, with about half receiving comprehensive services. We are contracted by DHS and DOHMH at the city level, as well as by OMH at the state level.

The last two years have been extremely challenging in the face of the COVID-19 pandemic for our organization, our staff, and the people we serve. Beyond the stresses of dealing with the virus itself have come the stresses of increased isolation, increased substance use, delays in getting individuals appointments and access to outside services, and delays in the processing of paperwork and appointments for permanent housing for our clients. Our staff have dealt with more with minimal additional resources.

Despite the commitment of our staff in the face of a global pandemic, they receive poverty wages under our City contracts. With contracts that only pay 85 - 87 cents for

every dollar of the actual costs to run our programs, it is difficult to ensure our staff receives the pay they deserve. This leads to high staff turnover. We are currently facing a critical staffing shortage across our organization that only seems to be getting worse; as of this week, we our organization has a 30% vacancy rate. High turnover ultimately has the most negative impact on the people we serve, as their needs are best met by building relationships with staff over time. It also puts strains on current staff members who must take on more work.

We are proud members of the <u>#JustPay campaign</u>, which is a racial equity and gender justice campaign committed to ending the government exploitation of human services workers by demanding sector employees under contract with the New York City and State be paid fair wages for their labor.

Each year you hear from providers who are struggling due to the crisis of compounding underfunding of the human services sector as City budgets are balanced on the backs of low-income neighborhoods and BIPOC communities. This practice has resulted in poverty-level wages for human services workers, who are predominantly women (66%) and people of color (68%). **To address this crisis, we ask the City to immediately adopt three core reforms:**

- 1. Establish, fund, and enforce an automatic annual cost-of-living adjustment (COLA) on all human services contracts.
- 2. Set a living wage floor of no less than \$21 an hour for all City and State funded human services workers.
- **3.** Create, fund, and incorporate a comprehensive wage and benefit schedule for government contracted human services workers comparable to the salaries made by City and State employees in the same field.

The COLA is the biggest action that can be taken right now, during this budget season. We ask that the Council include an important COLA for all human services workers, as these workers haven't seen an increase from City contracts in the last two years. Ideally we would love to see a multi-year COLA agreement, but in the absence of that, we are asking for a 5.4% COLA based on the consumer price index which mirrors the State COLA included in the Governor's executive budget. This would be about an \$108 million investment in an essential community workforce. It is important to note that many organizations, like Urban Pathways, are funded on both City and State contracts. Receiving a COLA for one set of employees and not the other creates a difficult situation.

The second major concern impacting our organization and those across the sector is the uncertainty surrounding the Nonprofit Indirect Cost Rate (ICR) Initiative. The current rate expires on June 30th of this year, and we have not received any notice as to if our current rate will be extended or what the process will be for renewal. This is making it impossible to plan our Fiscal Year 2023 budgets.

The implementation and baseline funding of the Indirect Cost Rate has made a significant impact on closing the gap in our contracts' funding. If the rate submitted to MOCS expires or lapses, human services contract would default to a 10% de minimis rate, as was the previous policy. This is deeply concerning. The ICR Manual created to indicate what expenses would be considered indirect costs moved more expenses under this category. This means a default to the 10% de minimis rate would result in a huge cut to our budget, slashing our previous budget to even lower amounts than prior to the implementation of the ICR. This would be catastrophic to our programs.

The Indirect Cost Rate Initiative must be continued with clear directions provided for how to submit rate renewals and continued baseline funding of \$91 million. Additional funding should also be added to apply the full ICR to new applicants who did not claim the higher rate in the original round of applications three years ago.

The City's Fiscal Year 2023 budget must more accurately reflect the invaluable work of the nonprofit human services sector by funding a 5.4% COLA and continuing the ICR initiative for nonprofit human services contracts. Thank you so much for the opportunity to provide testimony today and I look forward to working together.

Contact Information:

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