Fiscal Impact Statement Prepared By
New York City Mayor’s Office of Management and Budget

Jacques Jiha, PhD, Budget Director

Disclaimer: This fiscal impact statement is a preliminary estimate and subject to change based upon further data analysis or changes in bill text. This legislation is summarized as understood by the administration as of the date this statement was prepared and does not include or consider subsequent text changes. This fiscal impact statement is not legally binding on the administration. “Total” columns represent the respective sum over a four-year period; note that fiscal impacts continue after year four. Unless otherwise stated, information used in the preparation of this Fiscal Impact Statement is sourced from the agencies impacted and the NYC Mayor’s Office of Management and Budget.

Proposed Intro No. / Title: *Int. 1247 / Disbursement of a percentage of awards to non-profit organizations for contracts immediately upon registration by the comptroller*

Sponsors: Adams, Stevens, Won, Brannan, Louis, Brewer and Farías

Committee: Contracts

Summary of Legislation: For city contracts with non-profit organizations for goods, services, or construction, this legislation would require the Procurement Policy Board (PPB) to promulgate rules requiring the disbursement of eighty percent of the contact’s funding for a fiscal year immediately upon registration of the contract by the Comptroller. Eighty percent of the contract’s funding in subsequent fiscal years shall be disbursed upon the start of that fiscal year. Additionally, PPB shall establish a process to recover funds when contract obligations are unmet.

Effective Date: 90 days after enactment

First Fiscal Year Legislation Takes Effect: Fiscal Year 2026

First Fiscal Year with Full Impact: Fiscal Year 2026

Agencies Impacted: Mayor's Office of Contract Services

Fiscal Impact Analysis

A. Total Impact (Expense and Revenue)

	Fiscal Year 1	Fiscal Year 2	Fiscal Year 3	Fiscal Year 4	Total
Expense	0	0	0	0	0
Revenue	0	0	0	0	0
Total	0	0	0	0	0

Date Prepared: April 27, 2025

B. Expense

	Fiscal Year 1	Fiscal Year 2	Fiscal Year 3	Fiscal Year 4	Total
Expenditures	0	0	0	0	0

Impact on Expenditures (Expense):

Most agencies already give advances, ~30% in FY25 which will be met or exceeded in FY26. Advances require recoupments by the agencies through the invoicing and payment process. This legislation poses significant financial risks if large advances are made prior to service delivery and an agency is unable to recoup funds when a vendor fails to fully utilize the advanced amount or meet performance metrics. For programs, there is a substantial cash flow risk if the agency is mandated to provide an 80% advance at the start of the Fiscal Year, while paying invoices without the ability to recoup funds from July-December.

Requiring large advances upon contract registration would significantly limit an agency's ability to adapt to the inevitable changes that occur throughout the fiscal year, potentially resulting in inefficient and costly decisions due to reduced budgetary flexibility. There have been instances where large advances have had the unintended consequence of delayed invoices; this is not the only factor, but a contributing one, and the combination of delayed invoicing, payments, and recoupments result in agencies having to hold funds aside to cover these anticipated payments. As a result, cash flow is constrained. Several things can result:

- Agencies need to pull funding from other programs to maintain cash flow to contracted providers.
- Audit risk
  - The constant juggling of funding within an agency to cover cash flow increases the chances of error, which if funded with other revenue sources (such as State or Federal) could come back in an audit finding, resulting in lost funding.
  - Providers and agencies must do additional work through the recoupment process; increased advances result in increased recoupments, all of which must be closely monitored. When recoupments are not processed in a timely manner, provider audits or corrective action plans can result.
- All of these steps necessitate more work for agency staff, leading to increasing overtime payments or new staffing needs (higher agency expenditures).

Additionally, mandating an 80% advance exceeds the typical spending rate for most contracts, but could also create severe financial strain, potentially bankrupting providers that are unable to manage the inflow of cash at the beginning of a contract.

Separately, there would be significant staffing needs for agencies to process the increased number of contractual actions related to recoupment of funds. Further staffing could also be required to respond to increased risk associated with vendor performance and integrity, as well as to implement an increased number of vendor corrective action plans.

There is a specific confluence of events – switch over to PassPort, WEI/COLA roll outs, etc – that is causing the problem today. It will not persist forever and a mandated 80% advance every year is not the solution.

Given the unpredictable fiscal situations facing the city such as federal cuts, tax revenues, Wall St. and the ongoing asylum seekers crisis, adding a mandate that will require significant new investment across agencies is not fiscally prudent.

C. Revenue

	Fiscal Year 1	Fiscal Year 2	Fiscal Year 3	Fiscal Year 4	Total
Revenue	0	0	0	0	0

Impact on Revenue:

Advances of this magnitude could jeopardize the continued receipt of state and federal funding—as they may fall outside of the allowable use parameters tied to intergovernmental revenue. Mandating an “across the board” advance program does not consider disparate programmatic needs—agencies and programs that receive State and Federal funding have differing state and federal oversites with varying regulations. These programs may not be able to give advances, or at the least the city would have to work with these oversites for regulatory changes. In some situations, it is conceivable that advance payments may not be reimbursed.

D. Capital

	Fiscal Year 1	Fiscal Year 2	Fiscal Year 3	Fiscal Year 4	Total
Expenditures	0	0	0	0	0

Impact on Expenditures (Capital):

There is no anticipated impact on capital expenditures.