



A Better Procurement System: The City Council’s Plan to Support Nonprofits

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In New York City, nonprofit organizations play a critical role in delivering human and social services, operating largely through government contracts. In Fiscal Year 2024 (FY24), the Mayor’s Office of Contract Services (MOCS) reported that the City procured \$34.4 billion in goods and services, with \$19.9 billion, or 58%, dedicated to human services.¹ The nonprofit sector is a major economic driver, employing over 600,000 individuals—primarily women and people of color.²

Challenges with Nonprofit Procurement & Contract Payments

Despite their essential role, nonprofit service providers face significant challenges due to the City’s complex and slow procurement process.³ Contract registration delays and other bureaucratic obstacles routinely hinder timely payments, creating financial strain for organizations that depend on City funding.⁴ The New York City Comptroller’s Office, which is responsible for registering contracts, has 30 calendar days from the date a complete contract package is submitted by a city agency to either register, return, or object to the registration of the contract.⁵ However, contracts must first navigate multiple layers of approval before reaching the Comptroller’s Office, a process that can take months or even years.⁶



LATE REGISTRATION & PAYMENT

In FY24, 80.65% of all contracts were registered late, meaning contractors began work without a finalized contract or payment from the City.⁷ This problem is even more pronounced in the nonprofit sector, where 90.59% of contracts were registered late – an increase from 88.19% in FY23. In FY24, the median cycle time for vendor payments to nonprofit and human services providers reached 355 days.⁸ These delays stem from excessive paperwork requirements, rigid review procedures, understaffing, and poor coordination among oversight agencies.⁹ Additionally, despite a City Charter mandate for clear procurement timelines, no such standards have been implemented, leaving providers without transparency on when to expect payment.¹⁰

CUMBERSOME REQUIREMENTS

Beyond contract registration, nonprofit organizations must also navigate cumbersome reporting requirements that are often redundant and administratively burdensome.¹¹ These inefficiencies force providers to divert limited resources away from service delivery to meet bureaucratic demands.¹²

ORGANIZATIONAL INSTABILITY

The consequences of these systemic issues are severe. In recent years, long-standing nonprofit organizations have been forced to shut down due to financial instability caused, in part, by delayed government contract payments.¹³ Hester Street Collaborative, a group focused on community engagement and neighborhood planning, sunset operations late last summer after more than 20 years of service. Sheltering Arms—a 200-year-old youth services organization providing foster care, juvenile justice programs, and youth homelessness services—was forced to close its doors, citing financial strain from late government payments as a contributing factor.¹⁴

WORKFORCE DISRUPTIONS

Delayed or inadequate payments not only destabilize nonprofit organizations, but also impact their workforce.¹⁵ Human services workers—who make up the second lowest-paid labor sector in the city—often face financial instability due to late payrolls and budget shortfalls.¹⁶ In today's competitive labor market, many providers struggle to retain staff, as employees seek higher wages and better conditions in other industries.¹⁷



Past Solutions to the City’s Procurement Process

Addressing these long-standing procurement challenges is critical to ensuring the sustainability of the City’s nonprofit sector and the essential services it provides to New Yorkers. Under Speaker Adams’ leadership, the City Council has consistently sought to tackle deep-rooted inefficiencies in the City’s procurement process, with a focus on ensuring timely and reliable payments to nonprofit contractors. Building on the recommendations of the Mayor and City Comptroller’s Joint Task Force to Get Nonprofits Paid on Time, these legislative efforts aim to resolve long-standing challenges in the human services sector, which has historically been burdened by payment delays and cumbersome administrative processes. Through targeted reforms, the City Council has advanced measures that enhance transparency, streamline operations, and promote equity within the procurement system, ensuring a fairer and more efficient process for all stakeholders.

Establishing Procurement Timelines (Local Law 169 of 2023)

COUNCIL MEMBER ALTHEA STEVENS



- ▶ Mandates a comprehensive study on the time required to complete the City’s procurement process for human services contracts.
- ▶ Requires the Procurement Policy Board to set binding procurement timelines by October 1, 2025.
- ▶ Addresses a critical Joint Task Force recommendation to help significantly reduce delays in the contracting process.

Streamlining Document Management (Local Law 31 of 2024)

COUNCIL MEMBER JULIE WON



- ▶ Creates a secure electronic "document vault" for procurement-related documents.
- ▶ Reduces duplicative paperwork and improves document accessibility.
- ▶ Expected to cut down on administrative burdens for both City agencies and nonprofit contractor.

Provide Contractors with a Written Explanation when Denying Approval of a Subcontractor (Local Law 105 of 2024)

COUNCIL MEMBER JULIE WON



- ▶ Requires City agencies to provide contractors with a written explanation when denying approval of a subcontractor upon the contractor’s request.
- ▶ Agencies have 30 days to provide this explanation after receiving the request.



These newly enacted laws by the Council, together with its continued oversight of these persistent issues in contract payment delays, reflect Speaker Adams' commitment to addressing systemic problems in the City's procurement system. The City Council has taken meaningful steps to support the human services sector, strengthen partnerships with nonprofit organizations, and ensure the timely delivery of critical services to communities across the city. However, there are still greater improvements needed to streamline the procurement process.

New Solutions for the City's Procurement Process

SHIFT PAYMENT TIMELINES FOR CITY AGENCY CONTRACTS

The City Council is proposing legislation to require City agencies to disburse a more substantial portion of contract funding at the point of contract registration - rather than relying solely on delayed, reimbursement-based payments. This shift would provide nonprofits with greater financial stability as they begin delivering services, easing the burden caused by long-standing delays in the City's contracting process.

The Council aims to balance the urgent financial needs of nonprofits providing essential services with the City's responsibility to ensure contractors fulfill their obligations. To maintain accountability, the legislation would also establish a process to recover funds if services are not ultimately delivered, as currently exists for Early Childhood Education and Department of Cultural Affairs contracts. This safeguard would allow the City to prevent waste or fraud without impeding timely and necessary cash flow. Agencies would still have the authority to reclaim funds if services are not provided as agreed, but the financial burden of excessive delays caused by inefficiencies in the City's contracting system would be lessened for many non-profit organizations.

By mandating that at least a portion of the contract be paid earlier in the procurement process, this legislation would help ensure that nonprofits can focus on their mission rather than using often limited staff time navigating a slow and unpredictable reimbursement process.

CITY AGENCIES TO SUBMIT CORRECTIVE ACTION PLANS FOR RETROACTIVE CONTRACT REGISTRATIONS

The City Council is proposing legislation that would require City agencies to submit annual reports on contract registration and, when applicable, corrective action plans for contracts that are registered late, to enhance accountability, transparency, and efficiency in the procurement process.



By mandating regular reporting and targeted corrective measures, this bill would address systemic bottlenecks, drive meaningful reforms, and establish clear performance targets to reduce future delays. It would create a more proactive oversight system, ensuring that agencies cannot repeatedly delay contract registration without consequences. By requiring agencies to analyze delays, identify root causes, and outline specific corrective actions with clear implementation timelines, this legislation would support structural improvements rather than allow inefficiencies to persist unchecked.

Ultimately, this reform would help modernize the City's contracting system, promote data-driven decision-making, strengthen procurement oversight, and foster a culture of continuous improvement to ensure that nonprofits and other contractors are paid on time and can continue providing essential services to New Yorkers.

RESTORE FUNDING TO THE MAYOR'S OFFICE OF CONTRACTS SERVICES

The City Council continues to urge the Administration to restore funding for the Mayor's Office of Contract Services (MOCS) to resolve contract payment delays. In FY25, the Administration cut MOCS's budget by 33%—approximately \$16 million—along with a headcount reduction of 14 positions, significantly weakening the agency's ability to process contracts and payments on time.

These cuts threaten ongoing procurement reform efforts and risk further delays in contract registrations and payments, exacerbating financial instability for nonprofits and jeopardizing essential community services. Without adequate staffing and resources, MOCS will struggle to reduce procurement inefficiencies, address delays, and implement much-needed improvements to the City's contracting system.

The Mayor should restore full funding to MOCS that can prevent further administrative breakdowns, stabilize the nonprofit workforce, and ensure that vital services remain accessible to New Yorkers.



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NOTES

- 1 Mayor's Office of Contracts Services, "2024 Citywide Indicators Report", accessed at: <https://nyc.gov/site/mocs/resources/citywide-indicator-reports.page#HowCitySpends>
- 2 NYC Comptroller, "The Economic Impact of NYC Nonprofit Organizations," <https://comptroller.nyc.gov/reports/the-economic-impact-of-nyc-nonprofit-organizations>
- 3 NYC Comptroller "NYC Contracts Caught in the Slow Lane," (Feb 6, 2025), accessed at <https://comptroller.nyc.gov/reports/nyc-contracts/>
- 4 *Id.*
- 5 NYC Comptroller, "Contract Registration," accessed at: <https://comptroller.nyc.gov/services/for-city-agencies/contract-registration/#:-:text=The%20Comptroller's%20Bureau%20of%20Contract,the%20registration%20of%20the%20contract>
- 6 NYC Comptroller, "Retroactivity Trends in NYC Agency Contracts: Fiscal Years 2021 and 2020," (Dec. 2021), 5, accessed at <https://comptroller.nyc.gov/wp-content/uploads/documents/Retroactivity-Trends-in-NYC-Agency-Contracts-FY-2021-and-2020.pdf>
- 7 *Supra*, note 3.
- 8 *Supra*, note 1.
- 9 Crowe, Charlotte & Rosenn, Ben, Strengthening NYC's Nonprofits by Reducing Administrative Burdens, Center for an Urban Future (Jan. 2023), accessed at <https://nycfuture.org/research/reducing-administrative-burdens-on-nonprofits>
- 10 See N.Y.C. Charter §311(b)(6) ("The board shall promulgate rules ... establishing ... time schedules within which city officials should take action ... regarding individual contracts . . . [and such] rules shall specify the appropriate remedies, including monetary remedies, for failure to meet the terms of any applicable schedule for taking such actions.")
- 11 *Supra*, note 9.
- 12 *Id.*
- 13 Katie Honan, "City Hall Contracts Lag Got Worse, Comptroller Audit Finds," The City, 2/6/25 accessed at: <https://www.thecity.nyc/2025/02/06/nonprofits-city-hall-contract-delays-comptroller/>
- 14 Madison Hunt and Adilia Watson, "One of New York City's Oldest Nonprofits Serving Children and Families to Shut its Doors," The Imprint 3/9/23, accessed at: <https://imprintnews.org/top-stories/one-of-new-york-citys-oldest-nonprofits-serving-children-and-families-to-shut-its-doors/239238>
- 15 *Supra*, note 9.
- 16 *Id.*
- 17 Tim Murphy, " New York Nonprofits say they're suffering the worst staffing shortage in years," City and State, 12/15/2022, <https://www.cityandstateny.com/policy/2022/12/new-york-nonprofits-say-theyre-suffering-worst-staffing-shortage-years/380904/>