



THE CITY OF NEW YORK
INDEPENDENT BUDGET OFFICE

110 WILLIAM STREET, 14TH Floor
NEW YORK, NEW YORK 10038

**Testimony of IBO Director Louisa Chafee to
the New York City Charter Revision Commission
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Good evening, Chair Buery, Vice Chair Greenberger, Executive Director Schierenbeck, members of the Commission. I am Louisa Chafee, Director of the City's Independent Budget Office (IBO).

IBO is a nonpartisan, independent government agency mandated by the New York City Charter (Charter). IBO's mission is to enhance public understanding of New York City's budget, public policy and economy through independent analysis. Our vision is to empower New Yorkers to engage with their government and shape the future for their families and their communities, armed with budget and policy information that is accessible, transparent, and timely.

As the Mayor's press release states, your charge is "to ensure that the city's municipal government works efficiently and remains responsive to all New Yorkers." I am pleased to be here as you focus on government reform, to discuss three areas: first, the need to strengthen and clarify the City's budget framework; next, the critical need to ensure fairness and efficiency in contract spending; and finally, the importance of improving budget transparency by aligning units of appropriation with well-understood definitions of programs and services.

Protecting the Framework for Sound Budgeting

While the scope and scale of the changes on the federal horizon remain uncertain, New York City is likely to experience significant budget challenges. To that end, IBO suggests that this Commission strengthen the City's budgetary framework by moving more of the protections from the state Financial Emergency Act into the Charter and by tightening the Charter provisions concerning the Revenue Stabilization Fund, commonly called the Rainy Day Fund. IBO supports:

- Charter language to ensure that all relevant information is made available to enable City fiscal monitors, including IBO, to analyze the City's budget and fiscal health.
- The inclusion in the Charter of more details on the transparency, usage, and implementation of all of the City's reserve accounts, including but not limited to the Rainy Day Fund.

Ensuring Cost-Effective Services to New Yorkers and Fairness to City Service Providers

Fiscal responsibility is not merely a theoretical ideal. New Yorkers are not well-served unless City agencies administer the budget effectively and efficiently, ensuring the City gets real value for its spending. It is not enough to give New Yorkers access to information so they can see how much is budgeted for programs they care about. The budget must also be administered in a way that ensures efficient delivery of those programs. In other words, *how* the City spends its money matters.

Most services for vulnerable New Yorkers are provided by nonprofit providers whose financial stability depends on timely payment on their City contracts. As any household knows, sound fiscal management means one pays the bills on time. Yet, the City often does not. Nowhere does this present more of a fiscal and programmatic risk than for human services programs such as pre-K, senior centers, and services for the unhoused. IBO urges the Commission to consider some targeted reforms in contract-based spending, which exceeded \$34 billion during fiscal year 2024.

While most Charter Revision Commissions since 1989 (eight out of ten) have looked at contracting, none have put forth proposals to address timeliness. Two Commissions proposed various minor changes that went down to defeat, mostly because they were tied to other controversial proposals. Six Commissions, including last year's, looked at procurement—in most cases the same late payment issues we see today—and ultimately passed on the opportunity for a proposal. Several members of this Commission have significant expertise in the nonprofit sector, and one member leads an organization that administers a loan fund devoted to helping nonprofits navigate the cash shortages caused by City practices. This Commission is thus uniquely positioned to develop meaningful reforms.

Prior to joining IBO, I was proud to serve on Mayor Adams' and Comptroller Lander's *Joint Task Force to Get Nonprofits Paid on Time*, which focused attention on how the City's late payment practices present huge operational challenges for providers. IBO has identified several key opportunities for Charter changes in this area, including provisions aimed at:

- Reducing payment gaps,
- Shortening processing time frames,
- Elevating the oversight and accountability role of the Mayor's Office of Contract Services (MOCS), and
- Establishing time limits for emergency contracts.

Paying Bills on Time—Why the City Doesn't and How to Fix This

Why aren't the City's bills paid? Sometimes it is because a contract ends and the responsible City agency does not complete the process of registering a new contract soon enough. Meanwhile, the agency expects services to continue uninterrupted, even though it knows that a lapse between when the existing contract ends and a new one starts means, by definition, that payment will stop.

The Charter established the Procurement Policy Board (PPB), with members appointed by the Mayor and the Comptroller, as the regulatory body here. The PPB has the authority under the Charter, although not yet a mandate, to establish rules to fix this problem. This Commission should mandate that the PPB establish such rules.

Local Law 169 of 2023 began a process that envisions the PPB eventually writing new rules. That statute resulted in [an October 2024 report](#) from the Director of the Mayor's Office of Contract Services (MOCS) evaluating each step of the procurement process, with recommendations to the PPB for timeliness standards. The PPB is now required to establish such standards by October 2025. But the problem here is not simply the absence of timeliness standards: it is the absence of an effective remedy for when such standards are not met.

Late Registration: Problems and Solutions

The MOCS report focused on new RFP awards. The timeline it outlined—including agency review of proposals, vendor selection, and final awards—is between 90 and 120 days, plus 30 days for registration. This means that for a contract that is intended to start July 1st, timely registration is possible only if the agency starts processing the new award by February 1st, which is *150 days* before the contract start date. But RFPs are complicated and agencies are often not ready to process their awards so early in the contract year. As a result, they often fail to complete registration before the prior contract ends. Merely setting a standard for RFP timeliness will not offer a real solution for the nonprofits impacted by failure to meet that standard.

The process for registering contract extensions tends to be much more streamlined, resulting in more timely registrations, but agencies do not always offer extensions to their vendors. To provide one example, IBO reviewed registration data for human services contracts from the Department of Youth and Community Development with start dates in fiscal year 2025. The agency's RFP awards were registered an average of 84 days late, whereas contract extensions were registered an average of 34 days late. For a struggling vendor, that difference is the equivalent of three or four payrolls.

This Commission can consider mandating the PPB to make a rule that would automatically require agencies to process extension contracts for their existing vendors. This rule could be triggered whenever agencies are unable to begin processing new RFP awards at least six months prior to the end of the existing contract. This is critical because—as shown in the MOCS report from last October—without that cushion of time, agencies are unlikely to achieve timely contract registration.

Delayed Invoice Processing: Problems and Solutions

Even when contracts are registered, providers still often experience payment lapses. This typically occurs because the agency raises one or more concerns about an invoice and holds up payment on that obligation, even though the bulk of the amount on the invoice is undisputed. Thus, the nonprofit vendor is often deprived of reimbursement for its largest costs, such as payroll or rent, while relatively minor items are questioned by the agency.

The scale of this issue is revealed by a review of the spending data for human services contracts that ended last June 30th (the end of fiscal year 2024). As of February 19th, less than 70% of the total value of those contracts—which all ended over seven months ago—had been received by those vendors. While some of that difference may reflect work that was not completed, it is likely that much of it relates to disagreements over invoices. Unlike commercial vendors, who tend to discontinue services if their bills are not paid, human service providers are relatively powerless to require City agencies to resolve such issues in a reasonable time frame. These providers generally have payrolls that are exclusively assigned to City contract work and vulnerable clients who depend on their services.

Again, the PPB already has authority, though not a mandate, to address the timeliness of invoice payments. This Commission should mandate the PPB to establish rules that require City agencies to pay (very soon after receipt) a minimum percentage for each invoice from a human services contractor in good standing. Agencies could then resolve the disputed portions of invoices within a longer mandated timeframe without putting the fiscal stability of their nonprofit partners at risk.

Other Contracting Changes: Public Hearings, MOCS, and Emergency Contracting

IBO also supports several other readily achievable Charter changes to advance the goal of ensuring a financially responsible business partnership between the City and vendors that provide services to millions of New Yorkers. These changes include:

- Raising the Charter’s threshold for when public hearings are required on individual contracts, so as to shorten the contract registration process.
- Ensure real accountability by setting out a clear Charter mandate and responsibilities for MOCS, similar to those already in place for other critical Mayoral functions, such as the Office of Management and Budget and the Office of Operations.
- Limit the extended use of emergency contracting, which is often expensive, by requiring the Mayor and the Comptroller to renew their joint determination that emergency procurement remains appropriate, after such a contract has been in place for two years.

Enhancing the City Budget’s Structure to Promote Transparency

Finally, I would like to focus on an important reform from the 1989 Charter that merits further attention by this Commission. For the 2026 fiscal year that starts on July 1st, the Mayor’s proposed budget totals \$116.3 billion. The City’s budget is larger than all but a handful of state budgets. Crafting a process that ensures that this budget is transparent and fiscally sound is an important undertaking, with significant consequences for all New Yorkers.

Each year, when the City Council adopts the budget, it authorizes spending in categories which are termed as units of appropriation—commonly known as U/As. Under section 100 c of the Charter, a unit of appropriation is supposed to reflect the budget “for a particular program, purpose, activity or institution.” That definition was one of the key reforms instituted by the 1989 Charter Revision Commission. As described by the Chair of that Commission, the clear intention “was that a unit of appropriation . . . could not extend beyond a single program, purpose, activity, or institution, unless the Council adopted (either on the recommendation or with the approval of the mayor) a resolution ‘setting forth the names, and a statement of the programmatic objectives, of each program, purpose, activity or institution to be included in such a Resolution, a proposed unit of appropriation.’”

In practice, however, units of appropriation have not corresponded at all to what the public—or even knowledgeable organizations that receive funding—would consider to be a single program. The goal of providing clear, understandable information as to how the City allocates its resources to the public has simply never become a reality.

Beyond the lack of budget transparency, the use of huge, mixed-purpose U/As runs counter to the goal of effective oversight. Large mid-year shifts in spending between one U/A and another require City Council approval. In practice, though, because a single U/A encompasses such a wide range of programs, Council review of major shifts in spending does not occur as envisioned. While more granular information is found in “budget codes” within U/As, funds can be shifted among various programs within a U/A. The result is that one or more of them can be substantially increased or decreased, without City Council review or approval, and thus, with little room for public advocacy.

Some agency budgets include readily understandable U/As that allow the public to clearly see how various programs are funded. For example, the Department of Social Services (Human Resources Administration) has several clearly distinct U/As, such as one for legal services programs, one for emergency food assistance, one for the Fair Fares program, and so on.

But the budgets for many agencies are more opaque. Some small agencies have only two U/As, one for “personnel costs” and one for “non-personnel” costs, even though the agency itself provides several distinct services. In some large agencies, the U/A categories are so huge that no useful information at all is communicated to the public.

Two examples within the Department for the Aging (DTFA) and the Department of Youth and Community Development (DYCD) highlight the inability to track specific programs effectively. DTFA’s budgets for home-delivered meals, homecare, and older adult centers are parts of a larger U/A that conflates these programs. Likewise, DYCD combines the budgets for after-school, adult literacy, and assistance to immigrants in a single U/A. These programs serve different constituencies and are provided by a different mix of vendors—but it is impossible to track agency spending plans at the U/A level.

But this situation is greatly exacerbated in the City’s larger agencies, with budgets in the billions, like the Department of Education (DOE). Parent groups that wish to advocate around school spending concerns are stymied by the fact that DOE places almost \$8 billion—over 23% of the agency’s \$33 billion budget—in a single U/A entitled “general education instruction and school leadership.” This U/A encompasses many different educational programs, and funding can be shifted easily by DOE without requiring City Council approval and transparency to the public.

Similarly, with so much attention focused on the need to target public safety resources to ensure community safety, the budgets for all 123 police precincts are combined into a single “operations” U/A. This large U/A also includes the NYPD’s boroughwide offices, and various response units or divisions such as detective work, forensic investigation, narcotics, and strategic response. The budget for all of these NYPD functions is \$1.6 billion for the 2025 fiscal year, a quarter of the \$6.4 billion agency budget. Such a large U/A does not convey useful information to the public or to the Council.

While new U/As can be, and often are, added each year as part of budget negotiations, there has not been a systematic approach to the dual challenge of ensuring both transparency and managerial flexibility. This Commission can and should refine the description of units of appropriation. U/As should be distinct when an agency’s programs serve different groups of New Yorkers or provide distinctly different kinds of services. Perhaps a threshold can be applied such that a single U/A cannot exceed a certain percentage of the agency’s total budget. Such changes will truly enable the public to identify how each key program is funded.

IBO welcomes the opportunity to work with you and your staff around these and other ideas for enhancing financial responsibility and increasing transparency. I’m available if you have any questions this evening, or in the weeks to come.