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[Breaking News](#)

[Nonprofits in the News](#)

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[Grants](#)

[Points of View](#)

[Strengthening Nonprofits](#)

[Nonprofit Events](#)

[Voice of the Consumer](#)

[Fundraising](#)

[Research](#)

[NYNP Books](#)

Concerns Mount Over Impact of Budget Deadlock

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Concern is mounting for nonprofit human service providers as the state's budget deadlock leads to critical cash flow issues and mission-wrenching decisions over whether to continue providing services without reimbursement.

On Wednesday, *NYNP* reported that the State would not be paying human service contractors for expenses incurred after the April 1st start of the new fiscal year – regardless of whether agencies were still operating within the legal term of their approved state contracts.

The news has come as a surprise to many providers who had received no formal notice of the decision – and are only now looking for their first reimbursement checks covering service periods after April 1st. “We did not provide formal notice to groups about this issue,” acknowledged Division of Budget spokesperson Erik Kriss. “We have been dealing with the budget week-to-week.”

In cases where nonprofits are operating under registered contracts, the State is obligated to make payment – eventually. “The State is breaching the contract by not paying,” says Linda Manley, Director of Legal Services at Lawyer’s Alliance for New York. “If providers wanted to go out and sue the state for nonperformance, they would win. But, they are not going to do that.”

Even more troubling for many providers is how to handle the provision of services on contracts which were up for renewal but are now caught in the budget deadlock.

The Homelessness Prevention Program (HPP), for example, saw four of its five contracts with New York City-based providers come up for renewal in late March or early April. Since then, agencies have been struggling with whether and how to continue providing services – at a cost of \$5 million annually – without any assurance that their contracts will ultimately be extended and paid.

The program provides counseling and legal services to help families avoid evictions and homelessness. Annually, HPP reportedly prevented 6,680 evictions in New York City through a three-part package of services for families who are referred directly from Housing Court or the Human Resources Administration. It was estimated that the \$5 million in HPP program costs ultimately saved \$85 million in costs for families which would have been forced into New York City's homeless shelter system.

“We are continuing to run the program,” says Irma Rodriguez, Executive Director at Queens Community House. “People need it; nobody else does it here in Queens.” Yet Rodriguez is considering having to tighten up intake and focus on emergency cases while continuing to work those already in process. “We are spending money we might not get back,” she says.

“This is a lot of money,” says Carolyn McLaughlin, Executive Director of BronxWorks, another HPP provider. “If it doesn't get refunded, we are taking a huge financial risk. No matter what, it is already impacting our cashflow.”

Ironically, HPP is one program which was not targeted for elimination in the Governor's Executive Budget proposal. Other providers, continuing to operate the many programs which were slated for cuts are in an even riskier position.

Awareness of the overall crisis is spreading. Today's *Wall Street Journal* even reported on the impacts of the budget deadlock on New York's nonprofits. The article cited Christine Molnar, Executive Director of Safe Space, who said that her reserves would only carry her agency for another month. Peter Campanelli, CEO of the Institute for Community Living, reported that he was alerting staff to possible layoffs in light of his bank's refusal to access his line of credit due to his lack of renewed state contracts.

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