



HOMELESS SERVICES UNITED

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HSU's Testimony for the New York City Council Preliminary Budget Hearing on Contracts March 24, 2025

My name is Kristin Miller, and I am the Executive Director at Homeless Services United. Homeless Services United (HSU) is a coalition representing over 50 mission-driven, homeless service providers in New York City. HSU advocates for the expansion of affordable housing and prevention services and for immediate access to safe, decent, emergency and transitional housing, outreach and drop-in services for homeless New Yorkers. Homeless Services United promotes effective solutions to end the crisis of homelessness in New York City.

The FY26 Budget must take decisive action to rectify payment issues for Shelter Providers.

We are relieved for the recent temporary cash flow due to actions the City took to address overdue payments. The Backlog Initiative moved hundreds of outstanding invoices pending at the Department of Homeless Services alone at the end of 2024. However, providers still have months of catch-up in pending budget, budget updates, and invoice approvals that are prohibiting them from being reimbursed for the services they have already performed and again are in a cash flow crisis.

HSU worked with a sample of twelve DHS-contracted providers to assess the outstanding budget actions. Out of this sample group, **these 12 providers have over \$170,000,000 in outstanding budget actions from FY19 to FY25.** Some providers have stopped bidding on new DHS contracts because the risk of doing further business with the City is simply too high. **Other providers are now on a timeline for insolvency, for some, as soon as 2 months.**

Providers routinely experience delayed contract registration, delayed approvals for budget modifications and invoices for review, and repeated requests for supporting documentation, only for there to be continued delays once submitting requested documentation.

The lack of normalcy when it comes to payments puts our members, and many more organizations, at risk. It makes it difficult to pay staff, vendors, and run programs for clients. Organizations are often forced to take out lines of credit just to relieve cash flow issues, only to then have to pay interest.

Alongside procedural inefficiencies, short staffing within City Agencies has also contributed to delays in payment. Per the New York Housing Conference, the DHS' budgeted headcount dropped by 494 staff from Dec. 2019 to Jan. 2025, and HRA by 1,537 staff for the same time period. DSS has not been able to recruit and retain staff at a rate that keeps up with the demand, which results in payment lag times.

We urge the City Council to ensure that the FY26 budget includes sufficient funding to restore and expand headcount at DHS, DSS and MOCS to eliminate pervasive contracting and reimbursement delays for non-profit providers.

Finally, the new federal administration has created much uncertainty for non-profit providers here in NYC.¹ Between the proposed federal funding freezes and federal staff firings, many providers are concerned over the reliability of funds from the federal government. Most recently,

¹ Oreskes, B., Newman, A. (2025, January 28) Nonprofits in New York Are Told Their Contracts 'Have Been Paused'. *The New York Times*. <https://www.nytimes.com/2025/01/28/us/politics/nyc-nonprofit-contracts.html>



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the administration has proposed cutting the staff at Department of Housing and Urban Development (HUD) by 50%. We know that destabilizing HUD will have dire results, including the closure of programs that serve people experiencing homeless, and permanent affordable and supportive housing. Households receiving rental assistance may see evictions due to delays in payment.

Given the uncertainty of federal resources and proposed cuts, it is all the more important that the City registers contracts in a timely manner and pay non-profit homeless service providers for their services on time to not further threaten the insolvency of non-profits.