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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

MEMORANDUM IN SUPPORT
05-21-13

S. 5189 (DeFrancisco)

AN ACT to amend the state finance law, in relation to the payment of interest due to not-for-profit organizations

The Office of the State Comptroller **SUPPORTS** S. 5189.

This bill requires State agencies to pay any prompt contracting interest due to a not-for-profit organization within 30 days of the date a payment required under a contract is made when such contract was approved late.

The Prompt Contracting Law, State Finance Law Article 11-B, requires that interest be paid on a contract when the contract is late, but does not specify when such interest must be paid. Pursuant to State Finance Law Section 179-bb, the Office of the State Comptroller (OSC) must prepare an annual report examining the effectiveness and implementation of prompt contracting and payment as required by Article 11-B. In addition to examining the effectiveness and implementation of this Article, the law states that OSC shall make any recommendations it deems necessary to improve existing contracting and payment methods between State agencies and not-for-profit organizations.

New York relies heavily on not-for-profits to provide basic services – from health care clinics to workforce development programs –with 14,596 active grant contracts currently valued at \$14.7 billion. In 2011, nearly 2,000 of the 3,060 contracts approved late by agencies were eligible for interest.

In 2011, contract approvals by State agencies were late more than 80 percent of the time, even as not-for-profits continued to provide services while awaiting approval. This resulted in interest payments that cost taxpayers nearly \$200,000. In addition to the cost to taxpayers, the nearly \$200,000 in interest paid to not-for-profits last year significantly under represents what OSC believes is owed to such not-for-profits. When payments to not-for-profits for their services are delayed, not-for-profits experience hardship and critical services can be delayed. The best solution is to ensure timely contracting, and this bill encourages such timeliness.

The Office of the State Comptroller strongly supports this proposed legislation.