



NEW YORK STATE  
BAR ASSOCIATION

# Report and Recommendations in Support of Comprehensive Nonprofit Contracting Reform

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## **Report and Recommendations in Support of Comprehensive Nonprofit Contracting Reform**

New York State Bar Association  
Committee on Legal Aid (COLA)

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COLA Co-Chairs: Abja Midha and Gretchen Gonzalez

Report Drafting Committee:  
Sal Curran  
Gretchen Gonzalez  
Rezwanul Islam  
Abja Midha

# Report and Recommendations in Support of Comprehensive Nonprofit Contracting Reform

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## I. Introduction

The Committee on Legal Aid submits this report in strong support of comprehensive nonprofit contracting reform in New York State. For decades, chronic delays in contracting between state agencies and nonprofit organizations, including legal aid providers, have jeopardized financial stability and undermined the ability of these organizations to deliver critical services. Nonprofits are indispensable partners in the State's provision of health, housing, social, and legal services, yet their ability to function is consistently compromised by an unreliable contracting system.

The Committee on Legal Aid is charged with the duty of considering methods and proposals for rendering legal aid to people experiencing poverty or who are otherwise unable to afford a lawyer, and of maintaining a continuing study of the administration of justice as it affects these communities. The persistent failure of the State to execute contracts and provide timely payments undermines these objectives, forces legal services organizations to front costs they cannot bear, and threatens the delivery of life-saving legal assistance. This report documents the crisis facing New York nonprofits, the specific impacts on legal aid, and the urgent need for reform. We further identify comprehensive legislative remedies available to address these systemic failures.

## II. Executive Summary

Nonprofits are essential to New York's social and justice infrastructure, employing over 1.3 million New Yorkers and delivering vital services such as housing, health care, and legal aid.<sup>1</sup> Yet, the State consistently fails to meet its obligations under the existing Prompt Contracting Law. In 2023, 56 percent of contracts were processed after their start date, with some agencies reporting 100 percent lateness.<sup>2</sup> Payments are often delayed for six months or more, leaving nonprofits to borrow funds at high interest rates, deplete reserves, or reduce services.<sup>3</sup>

Legal aid providers are especially vulnerable. Their work depends almost entirely on state contracts and grants, and any disruption in funding directly impacts the ability of vulnerable New Yorkers to defend their rights in housing, family law, public benefits, and other critical areas. When contracts and payments are delayed, clients face evictions, domestic violence, and loss of subsistence benefits without representation.

Comprehensive reform is required and the following revisions to the prompt contracting and payment law provide a real and concrete pathway forward to ensure sustainability of nonprofits:

- Mandated advance payments of 25% of contract value within 30 days of execution.<sup>4</sup>
- Expanded use of written directives so that services can begin with guaranteed payment schedules.<sup>5</sup>

- Interest at the prime rate on late payments.<sup>6</sup>
- Consistent indirect cost reimbursement across agencies.<sup>7</sup>
- Strengthened oversight and transparency through an enhanced advisory committee.<sup>8</sup>

These reforms are the practical, balanced, and urgently needed solutions that nonprofits require to continue serving millions of New Yorkers.

### III. Background

#### A. The Nonprofit Sector and Its Role in Civil Justice

New York's nonprofit sector includes more than 33,500 organizations, representing 5% of all private sector establishments in the State.<sup>9</sup> Nonprofits employ nearly one in six private-sector workers statewide and provide services across health care, education, social assistance, and legal advocacy. Legal services providers form an essential component of this network, ensuring that low-income New Yorkers can enforce their rights and navigate complex civil legal systems.

#### B. Chronic Contracting and Payment Delays

Despite statutory deadlines, New York has failed for decades to execute contracts with nonprofits in a timely manner. The Comptroller's 2023 report found that over half of all nonprofit contracts were late.<sup>10</sup> Payments are often delayed months beyond statutory deadlines, and interest payments owed to nonprofits are rarely made.<sup>11</sup> These failures force nonprofits to finance State obligations themselves, creating systemic instability.

#### C. Impact of Legal Services in New York

Legal aid organizations across New York are on the front lines of ensuring access to justice. These agencies provide housing defense, immigration assistance, family law representation, benefits advocacy, and countless other services to low-income New Yorkers. Yet contracting delays leave them struggling to sustain staff and operations even as the demand for services grows.

In fiscal year 2024 alone, New York's legal services organizations closed 340,779 cases, directly benefiting nearly 698,666 individuals. They provided 198,533 individuals with pro se assistance, offered 7.2 million New Yorkers legal education, and enabled 4.8 million individuals to access or prepare legal forms online. Their work was supported by 40,731 pro bono volunteers who contributed nearly 878,000 hours of service, valued at more than \$335 million.<sup>12</sup>

The economic impact is equally profound. Legal aid organizations generated more than \$5.32 billion in benefits and savings in FY24, including \$1.95 billion in direct benefits to clients and families, \$550 million in direct savings, and \$844 million in avoided costs to communities through prevention of homelessness, foreclosures, and domestic violence. Federal funds leveraged through legal advocacy added an additional \$1.97 billion in economic stimulus.<sup>13</sup>

These achievements are accompanied by human stories of transformation. Legal services organizations have secured asylum for individuals fleeing persecution, defended workers against unlawful debt collection, and ensured safe housing conditions for tenants confronting negligent

landlords. Yet each of these outcomes is put at risk when providers cannot count on timely state contracting.

The Volunteer Lawyers Project of CNY, Inc., for example, must routinely borrow funds to cover payroll for eviction defense and immigration cases while awaiting delayed contracts. The Legal Aid Bureau of Buffalo, the Legal Aid Society of Westchester, and the Legal Aid Society of Rochester report similar struggles. Each delay threatens layoffs, reduced intake, and denial of access to counsel for those facing eviction, deportation, or loss of essential benefits.

#### **IV. Analysis and Recommendations**

The Committee on Legal Aid strongly supports comprehensive reform of nonprofit contracting to ensure timely execution, transparency, and financial stability for service providers. COLA proposed revisions to State Finance Law § 179, which would offer immediate reforms to address these systemic challenges. We recommend that the Association adopt the following positions:

##### **1. Advance Payments**

Require automatic 25% advances within 30 days of contract execution (for new contracts) or written directive (for renewal contracts where ongoing performance is expected) with continued quarterly advances until execution is complete. This ensures nonprofits can pay salaries and maintain services without relying on debt.

##### **2. Written Directives and Payment Schedules**

Require and expand written directives in renewal contracts to authorize service commencement where continued performance is expected, provide invoice and payment schedules, and guarantee enforceability through interest penalties.

##### **3. Interest at the Prime Rate**

Raise late payment interest to the current prime rate, reflecting the real cost of borrowing for nonprofits. Eliminate waivers that undermine the incentive for State Agencies to engage in timely contracting.

##### **4. Indirect Cost Reimbursement**

Require all contracts to include a minimum 15% indirect cost rate or the federally approved de minimis rate, whichever is higher. This ensures nonprofits are not forced to absorb administrative and compliance costs.

##### **5. Transparency and Oversight**

Strengthen the advisory committee on nonprofit contracting to monitor compliance, report annually, and recommend further reforms.

## Why These Reforms Matter for Legal Aid

Legal aid organizations face unique challenges under the current system. They cannot delay services without leaving clients unrepresented, nor can they raise unrestricted funds easily to cover delays. Ensuring prompt contracting is therefore essential to protecting fundamental rights, including housing, safety, and subsistence benefits, for the most vulnerable New Yorkers.

Legal Aid organizations regularly must borrow funds to sustain their critical eviction defense, immigration, family law and other services while awaiting overdue contracts and payments, which undermines the ability to provide access to justice. The proposed comprehensive reforms to State Finance Law § 179 will relieve this untenable burden and stabilize these critical providers.

## V. Conclusion

Comprehensive nonprofit contracting reform is urgently needed to stabilize New York’s nonprofit sector and protect the services on which millions of residents rely. Chronic delays in state contracting jeopardize legal aid, destabilize nonprofits, and endanger the rights and well-being of low-income New Yorkers.

Comprehensive reforms to State Finance Law § 179 would be the most practical and balanced legislative solution to these systemic challenges. The changes outlined herein could create consistency, fairness, and financial stability for nonprofits, ensure that legal aid providers can meet their constitutional and moral obligations, and strengthen the State’s partnership with its nonprofit sector.

The Committee on Legal Aid therefore strongly recommends that the New York State Bar Association endorse comprehensive nonprofit contracting reform.

Respectfully submitted,  
Committee on Legal Aid  
New York State Bar Association

## Footnotes

1. Office of the New York State Comptroller, *The Critical Role of Nonprofits in New York* (Jan. 2025).
2. Office of the New York State Comptroller, *Not-For-Profit Prompt Contracting Annual Report – Calendar Year 2023* (May 2024).
3. Human Services Council et al., *Nonprofits in Peril Report* (May 2025).
4. A.7616, 2025–2026 Leg., Reg. Sess. (N.Y. 2025) provides a strong example of how these provisions could be included in the law.
5. Id.
6. Id.
7. Id.

8. Id.

9. Office of the New York State Comptroller, The Critical Role of Nonprofits in New York (Jan. 2025).

10. Office of the New York State Comptroller, Not-For-Profit Prompt Contracting Annual Report – Calendar Year 2023 (May 2024).

11. Human Services Council et al., Nonprofits in Peril Report (May 2025).

12. 2024 IOLA Annual Report, at 5-7.

13. Id. at 11.