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# **OVERPROMISE AND UNDERPAY:**

**A Review of New York City's Chronic  
Failure to Pay Nonprofit Contractors**

## KEY TAKEAWAYS

- The administration of New York City Mayor Zohran Mamdani reportedly considered delaying payment to hundreds of nonprofits in the city as it prepares to implement a new local law that requires social service organizations to receive 50 percent of their annual contract up front.
- City Hall signaled a retreat after pushback from hundreds of nonprofits that serve some of the city's most vulnerable and needy residents, saying it would, in fact, pay organizations the 50 percent of their annual contract award up front that a new law requires. It remains to be seen how this will impact the city's precarious cash flow.
- New York City has a checkered history of paying nonprofit organizations on time with reporting last year finding that the city owed at least \$1 billion to nonprofits for more than 7,000 unpaid invoices, and issues dating back to at least the administration of Rudy Giuliani.

## OVERVIEW

The Mamdani Administration announced in May the “Block by Block” initiative, a 112-page housing plan that proposes building 200,000 new affordable housing units and preserving or stabilizing another 200,000 over the next decade. The plan, which Mayor Mamdani called “the most ambitious plan for affordable housing the city has ever seen,” ([Louis, 2026](#)), is predicated in part on the idea that the city will transfer ownership of buildings that have suffered chronic neglect over to nonprofit institutions for potential rehabilitation. The purported incentive for nonprofit groups to take over ownership of these buildings is granting them access to city loan programs and capital funding to build and preserve affordable housing as well as the availability of a broader \$22 billion capital investment over five years to nonprofit developers through these financing tools. ([NYC, 2026](#))

The announcement by the Mamdani Administration received praise from some in the nonprofit world. The Association for Neighborhood & Housing Development, for example, said the plan “responds to the needs and recommendations that nonprofit affordable housing developers have raised for years, and unlike many past proposals, it makes it clear that preservation is a true priority, not an afterthought.” ([ANHD, 2026](#)). Others, however, have noted that similar plans have been proposed in the past and yet many city-based nonprofits have been unable to keep themselves out of “perpetual crisis”, raising questions about long-term efficacy. ([New York Post, 2026](#)).

Arguably the biggest issue when considering the “Block by Block” proposal is New York City's historic failure to pay the nonprofit institutions that provide crucial services to communities across the five boroughs. As of 2025, it was reported that New York City owed at least \$1 billion to nonprofits for more than 7,000 unpaid invoices. The unpaid invoices ranged across numerous services including to groups that shelter the homeless, provide child and elder care, feed hungry New Yorkers, counsel the mentally ill, protect domestic violence victims, and provide legal services to immigrants and defendants who can't afford lawyers. ([Newman, 2026](#)). Along with unpaid invoices, billions of dollars are trapped because the city relies on organizations to start working before their funding agreements are officially registered in the PASSPort system. This has led many nonprofit institutions to take out loans, scale back programs, lay off staff, or, in some cases, close their doors entirely. ([Giradin, 2025](#)). The interest on those loans is not recoverable from the city by nonprofits, leaving organizations that are often operating with very thin margins with yet another unfunded mandate to shoulder.

Given this history, it is hardly surprising that the Mamdani Administration reportedly is considering delaying payments to hundreds of nonprofits to manage cash flow challenges as it prepares to implement a new local law that requires social service organizations to receive 50 percent of their annual contract up front. ([Russo & Guaimano, 2026](#)) The news of a potential delay in payments has caused anger among many leaders of the city's nonprofits with one recently calling it “a betrayal.” ([Rahman, 2026](#)).

Numerous mayoral administrations – of all political parties and persuasions – have histories of failing to pay nonprofit organizations for their crucial work in keeping New Yorkers housed, fed and safe. This brief will explore the most recent five mayoral administrations in New York City and explain how the crisis in nonpayments to nonprofit organizations has been exacerbated over time.

The purpose of this brief is not to cast blame on any singular administration or mayor but to highlight how an embedded political system – in this case the New York City mayor’s office and New York City Hall – has over time created a Byzantine network that allows for such malfeasance to occur, and to serve as a warning to any nonprofit institution hoping to work with the city. The city’s longstanding inability to remain current on its contractual obligations to nonprofits raises questions about the viability of the Mamdani Administration’s desire to shift privately owned properties onto the rolls of nonprofits that are already struggling to make ends meet.

## GIULIANI ADMINISTRATION & HOUSING WORKS

The tenure of Rudolph “Rudy” Giuliani as mayor of New York City between 1994 and the end of 2001 was marked by highly contentious battles over budget cuts, withheld funding, and legal disputes that created friction not only between the mayor’s office and New York City Council but also with several prominent nonprofit groups operating with the city.

Arguably the most high-profile and well-documented of these disputes was the lawsuit that Housing Works, a nonprofit institution providing housing for people with HIV/AIDS, filed against the Giuliani Administration in New York’s State Supreme Court. The lawsuit, which was filed in 1998, alleged that the Giuliani Administration systematically and illegally halted its city contracts with Housing Works – worth at the time approximately \$6 million or one-fourth of the nonprofit’s annual budget – as a form of payback against frequent protests and news releases critical of the Giuliani Administration and its policies. ([Barry, 1998](#)). While the Giuliani Administration claimed at the time that the suspension of contracts with Housing Works was because of the nonprofit institution’s poor financial accountability, the city eventually agreed to settle the lawsuit in federal court and pay Housing Works \$4.8 million in 2005. ([KFF, 2005](#)).

## BLOOMBERG ADMINISTRATION’S FIXES AND FAILURES

While Michael Bloomberg was inaugurated as New York City mayor in 2002, his administration took at least one term to begin addressing the issues facing nonprofits. In 2010, the administration released a concept paper outlining numerous procurement pain points, such as an overly complicated system and lack of interagency process consistency while suggesting that the city create a cross-agency prequalification process, eliminate backlogs, and foster greater interagency collaboration. ([Schierenbeck, 2025](#)).

In 2013, the Bloomberg Administration announced the creation of the “HHS Accelerator,” the City’s first attempt at creating a streamlined, centralized digital nonprofit procurement process. While the system earned widespread praise upon its release, it failed to live up to expectations with a report from the New York Comptroller’s Office finding in 2022 that the system continued to have an “onerous and slow procurement process” and “considerable” payment lags. ([Sananman & Levers, 2022](#)). The Bloomberg Administration also worked to simplify contractor forms, merge the Procurement Policy Board and the Mayor’s Office of Contracts, and remove some procurement requirements ([Cardwell, 2003](#)), but given the ponderous nature of New York City government the problems continued to exacerbate.

## DE BLASIO ADMINISTRATION'S DELAYS AND DISPUTES

The payment issues for nonprofits worsened during the administration of Mayor Bill de Blasio, as new processes meant to speed up procurement instead created severe processing bottlenecks and backlogs. For many nonprofits, the implementation of the Procurement and Sourcing Solutions Portal (PASSPort) caused payment delays of months or in some cases even years. (Schierenbeck, 2025). There was widespread frustration among officials from charities who blamed the de Blasio Administration for the ubiquitous delays in payments and contract signings. ([Hicks, 2019](#)).

The de Blasio Administration argued that the delays were due in part to New York City expanding the amount of business it gave to charities. The administration also convened a Nonprofit Resiliency Committee to implement contracting reforms, which was successful in improving the on-time submission rate for a period, though post-registration invoice and payment delays remained a persistent problem. During de Blasio's time in office, New York City Council also voted to have de Blasio create the Mayor's Office of Nonprofit Services. ([Dervishi, 2019](#)). While the office serves as a liaison between nonprofits and the city and has become a repository for information regarding procurement, PASSPort and other issues, it has not succeeded in stemming the backlog or delays in payments to nonprofits.

In other cases, the de Blasio Administration actively withheld payments or sued specific nonprofits amid accusations of fraud or misuse. In 2016, the administration halted more than \$700,000 in funding for nonprofits amid reports of extortion, embezzlement, executive payouts, and misuse of funds within the nonprofits. These nonprofits included Northern Manhattan Perinatal, Federation of County Networks, United Block Association, Relief Resources and Hospital Audiences. ([Baird & Goldenberg, 2016](#)). In the final days of its term in office, the de Blasio Administration also sued the Brooklyn-based homeless services provider CORE Services Group to recover \$2.3 million for excessive executive pay. The DeBlasio Administration also withheld \$35 million in payments to CORE Services Group. ([Hicks, 2021](#))

## ADAMS ADMINISTRATION & THE BREAKING POINT

The administration of Mayor Eric Adams between 2022 and 2025 was notable for the criticism it faced for the chronic failure of payments to nonprofits, a worsening backlog, and a continued delay in processing payments. ([Garber, 2025](#)).

The payment crisis reached a boiling point in 2025 when an audit by the city's Comptroller's office discovered that delays had actually worsened under the Adams administration despite the mayor's office announcing efforts to improve payment that included clearing out overdue invoices, unlocking over \$6 billion in long-overdue funds, and signing an executive order creating chief nonprofit officers at city agencies to help nonprofits get paid faster. Along with these actions, the Adams' Administration also had the Mayor's Office of Contract Services' Payment Backlog Initiative unlock more than \$1 billion to providers in three months in 2025, and reduced payment processing times by nearly 90% in the last year of Adams' time in office. ([Honan, 2025](#)).

While this was real progress, as this brief's mentioned earlier it was discovered that by the end of Adams' term, the city had accrued 7,000 unpaid invoices totaling more than \$1 billion, with around 4,000 of them, worth \$861 million, owed to nonprofits alone. ([Small & Pauls, 2026](#)). The impact of these non-payments was severe, with a dozen city-contracted organizations, including the Legal Aid Society, New York Legal Assistance Group, and Legal Services NYC, claiming they were in dire financial situations that could force them to cut down on services, declare bankruptcy, or stop operating. ([Levey, 2025](#)).

The situation became so untenable that the New York City Council advanced numerous pieces of legislation that would force city agencies to automate contract registration along with establishing a new Department of Contract Services and issuing automatic partial payments at the start of the fiscal year. ([New York City Council, 2025](#)).

## MAMDANI ADMINISTRATION & THE FUTURE OUTLOOK FOR NYC'S NONPROFITS

While there are hopes, given his progressive ideology, that the Mamdani Administration will be a better partner to nonprofit institutions in New York City – particularly compared to the Adams Administration – numerous organizations remain worried that the current mayoral administration will continue the office's history of delaying payments. Leaders in the nonprofit sector have asked the Mamdani Administration to commit to paying nonprofits on time and to making partial upfront payments, arguing that these organizations contribute \$78 billion to the local economy annually and employ nearly 1 in 5 city residents. ([Brand, 2024](#)).

While the Mamdani Administration has been in office for less than a year, there are signs that many of the problems that nonprofits dealt with during the terms of previous mayors will remain or worsen. For example, Legal Services NYC – which gets 45% of its budget from city contracts – noted that as of early 2026, the city owed them nearly \$20 million by the end of 2025 and that the nonprofit had already maxed out its credit line of \$15 million to cover just its payroll. ([Gallo, 2025](#)).

There are also concerns about the Mamdani Administration's budget doing nothing to rectify the issue of late payments and its exclusion of funding for some programs that rely heavily on nonprofit assistance. For example, the budget failed to earmark money for NYCBenefits, a program that works with three dozen providers to help low-income residents apply for benefits. ([Honan, 2026](#)).

The Mamdani Administration's "Block By Block" initiative relies heavily on the buy-in of nonprofit organizations to take over and overhaul the buildings under neglect. However, judging from the poor record New York City's mayoral administrations have in recompensing nonprofits, it would be a very large and risky ask for any nonprofit to take on such projects with very little chance of timely payment.

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