

Proposed New York City Legislation Aims to Reduce Incidents of Late Payments to City Contractors

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A bill to amend New York City's contracting process to improve the promptness of city agency payments to contractors has been introduced in the New York City Council. The bill's sponsors introduced the measure following a news report on the city's history of late payments to some social service vendors.

Inform, Report

[Intro 1067](#) would require the Procurement Policy Board to create a process for city agencies to inform vendors of the reason for any late payments on contracts. Additionally, agencies would have to provide the Mayor's Office of Contract Services (MOCS) reports on any such late payments.

The information collected by MOCS would be reported to the Mayor and City Council every six months. The report would include information on late payments from all city agencies.

History of Lateness

The bill is in response to a clearly documented history of late payments by city agencies to social service not-for-profits. For example, according to the [New York Post](#), the Department of Homeless Services (DHS) has been late in registering and paying 78 percent of its contracts since 2013. Worse, only five percent of DHS contracts reportedly were registered on time in 2017 and nearly half, 43 percent, were more than 100 days late. The [New York Post](#) [estimated](#) that, overall, 59 percent of all city contracts are paid late.

Such delays leave providers in a difficult position as they are required to provide the services regardless of timely payment, while the city is not penalized for being late in making its payments.

Process

Intro 1067 directs the Procurement Policy Board to promulgate rules for the expeditious processing of payment by city agencies and departments. The rules will include:

1. The maximum amount of time allowed for the processing and payment of such vouchers from the later of (a) the date such vouchers are received by the agency, or (b) the date on which the goods, services, or construction to which the voucher relates have been received and accepted by the agency;
2. A program for the payment of interest, at a uniform rate, to vendors on vouchers not paid within the maximum amount of time pursuant to the time established in section 1;
3. A process for the allocation and charging of any such interest payments to the budget of the agency responsible for the delay leading to the interest payments; and
4. A process for the agency to inform vendors of the reason for the lack of prompt payment on vouchers not paid within the maximum amount of time pursuant to section 1.

Intro 1067 was introduced by New York City Council Members Rory Lancman (D-Queens) and Justin Brannan (D-Brooklyn) on August 8, 2018. Lancman said, “If we’re going to rely on the nonprofit community to provide as many social functions as we do, we need to make sure they’re paid on time.” He also said, “When we find out they haven’t gotten paid in many months and they need to go out and make a loan to make payroll, that’s what really got my attention.” Brannan added that nonprofits “perform really vital, critical services for our city, but are really hung out to dry and take out loans just to provide what they’ve been contracted to do.” He said it is “just outrageous” that some groups are still waiting to get paid for services they performed years ago. No hearing has been scheduled on Intro 1067 at this time.

The Jackson Lewis Government Relations practice monitors and tracks all legislation introduced in New York and advocates for client positions at all levels of city and state government.

Please contact Jackson Lewis with any questions about Intro 1067, compliance, or government relations.

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