



Some States Are Delaying Payments to Nonprofits

Resulting Cash Flow Problems Have Produced Job Cuts, Service Reductions

By Varina Winder ¹
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Government agencies in at least 19 states are delaying payments promised under existing grants or contracts to nonprofit agencies, according to a survey conducted by the Alliance for Children and Families and United Neighborhood Centers of America in April, 2009.

Delayed payments have forced many of these nonprofit agencies to tap existing lines of credit. However, many report that these lines of credit have been cut back, or that it has become more expensive to borrow against them. In some cases, resulting cash flow problems have led to job cuts and reduced service provision for clients of these agencies.

METHODOLOGY

The Washington office of the Alliance for Children and Families and United Neighborhood Centers of America conducted a survey of member and non-member nonprofit organizations from April 9 through April 28, 2009. The survey (see Appendix A) asked members about grants and contracts that are either fully or partially federally funded.

The Alliance membership includes 360 nonprofit organizations across the nation that provide services and economic empowerment to children and families.² The UNCA membership includes 146 nonprofit agencies that provide a variety of community-based services.³

The survey was sent via email to members and allied non-member organizations subscribed to public policy email lists run by the Washington office. It was distributed through two separate listservs on April 9 and April 22 and was posted on the Alliance web site on April 15.

A total of 96 nonprofit agencies responded from 30 states. Some states had a much higher response rate than others. Responding organizations are all nonprofit social service providers from the human services field, though because respondents are primarily member organizations of the Alliance or UNCA, they are not necessarily representative of the entire field. Responses must be considered anecdotal and a starting point for further research.

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² For more member-specific information, please see the member directory on the Alliance website: www.alliance1.org.

³ For more information on UNCA, please see the UNCA website at: <http://www.unca.org/>.

SUMMARY RESULTS

Nonprofit agencies in 19 states reported that their organizations have experienced late payments from state or local governments, including AZ, CA, CT, FL, GA, HI, IL, IN, LA, MI, MN, NC, NV, NY, OR, PA, RI, TX and WI. Agencies in 11 states reported no delayed or missed payments, including AL, AR, IA, KY, MA, MO, NJ, OH, SC, TN and WA.

Agencies experiencing delayed payments all reported negative impacts on their organizational cash flow. For some, this has led to staff reductions and hampered program services. As one agency in Arizona described it, programming and service delivery have suffered because the agency has had to “[rob] Peter to pay Paul.”

Almost every agency experiencing late payments reported relying extensively on lines of credit to make up for cash shortfalls. Many reported that those lines of credit have been reduced or that it has become more expensive to borrow against them. Some agencies have also taken out loans to cover staff salaries and keep programs operational.

Agencies in some states are struggling more than others; for example, in Michigan, late payments combined with the declining auto industry, decreased community donations and increased demand for agency services has led to a significant negative impact on agencies.

STATE-BY-STATE RESULTS

The following is a summary of survey results, grouped according to state. No responses were received in states not listed.

Alabama: The one agency in Alabama that responded to the survey indicated that late payments have not been a problem. According to the agency, the state of Alabama has paid its obligations on time.

Arizona: The one agency in Arizona that responded to the survey indicated that state payments for parent aide services have been delayed for as long as 1.5 years. However, the agency reported that county payments have been on time.

Arkansas: The one agency in Arkansas that responded to the survey indicated that late payments have not been a problem. According to the agency, the state of Arkansas, as well as local governments, have paid obligations on time.

California: Four of the six agencies located in California that responded reported facing delayed payments, especially from the state of California. California does not pay on contracts until the state budget has been settled, which has resulted in millions of dollars worth of outstanding payments for agencies in Los Angeles and San Mateo County. The State Department of Justice and high school districts have also been lagging in payments to certain agencies. Payments have been delayed between two and a half months to almost 18 months, affecting mental health programs, child development and education programs, counseling for victims of child abuse, and child care for school age mothers.

Connecticut: Agencies in Connecticut report mixed problems, with two of the four responding agencies reporting that the state of Connecticut and its various agencies have been on time with payments. One agency reported that some direct federal government funding, including the Ryan White Part A HIV funding, has been delayed. One agency reported that local funding, including from the City of Hartford, has also been delayed. In this case, payments have been delayed more than six months and have affected school-based programs, including Family Resource Centers.

Florida: All three agencies that responded from Florida reported delayed payment issues. Agencies repeatedly cited problems dealing with payments from the City of Clearwater, Florida State Medicaid and the Department of Children and Families. One agency noted that while Medicaid payments have been delayed, this could be due to the very complex eligibility rules of subcontracted Managed Care companies managing Medicaid. Payments have been delayed between four months to over a year, affecting family counseling and sexual assault programs, children's mental health and case management, and behavioral health services for families and children.

Georgia: The one agency in Georgia that responded indicated that the State of Georgia Department of Human Resources has been delayed in its payments, causing problems for the agency's foster care and child day care programs. Payments have been delayed up to two to three months.

Hawaii: The one agency in Hawaii that responded indicated that they have been experiencing late payments from both the City and County of Honolulu, as well as the State Department of Human Services. Payments have been delayed between one to three months and have affected all Department of Human Services-funded programming, including Enhanced Healthy Start, Sex Abuse Treatment Services, Domestic Abuse Shelters, Comprehensive Counseling Services, Community Centers, Family Strengthening Services, Independent Living Services, and Post-Permanency Services.

Illinois: As one agency put it, "one cannot globally answer if payments from the state are late or on time. It depends on the type of program and the state agency." For the most part, according to all eight responding agencies, the state of Illinois has been on time with its payments, although the Department of Child and Family Services, a major source of funding for most agencies who responded to the survey, has warned agencies that it may begin issuing slower payments. For foster care, residential and group home programs, agencies report being paid on time. However, in programs without a child care expense, payments are two to three months behind. Finally, two agencies running juvenile justice programs, substance abuse programs, aging, and mental health programs have been paid three to six months behind, due to delays on the part of the Department of Corrections and the state.

Indiana: Two of the three responding agencies in Indiana that responded to the survey indicated that late payments have not been a problem. In fact, payment timeliness seems to have improved since the state assumed responsibility for payments beginning January 1, 2009. However, one agency reported there are some counties (Johnson County) that have been delinquent in payments for six months or longer, affecting residential treatment services.

Iowa: All three agencies in Iowa that responded to the survey indicated that late payments have not been a problem. According to the agencies, the state of Iowa and other local governments have paid their obligations on time.

Kentucky: All four responding agencies in Kentucky indicated that late payments have not been a problem. According to the agencies, the state of Kentucky and other local governments have paid their obligations on time.

Louisiana: The one agency in Louisiana that responded to the survey indicated that late payments have been a problem at both the state and local level. Payments have been six weeks to eight months late, impacting all of this agency's programming, including homeless housing, domestic violence prevention, their Family Justice Center, crisis lines and family counseling.

Massachusetts: All three agencies in Massachusetts that responded to the survey indicated that late payments have not been a problem. According to the agencies, the state of Massachusetts has paid its obligations on time.

Michigan: All four agencies in Michigan that responded to the survey indicated late payments have been an issue. Payments from the state of Michigan, including the Department of Human Services and counties including Kent and Wayne, are delayed 45 days to six months. Affected programs include domestic violence treatment and prevention, outpatient mental health counseling and supportive housing, although foster care programs seem to receive payments on time. Additionally, according to one agency, state agencies have transitioned from monthly to quarterly payments or even semi-annual in some cases.

Minnesota: Three of five responding agencies in Minnesota reported delayed payments from state and county agencies, including from Hennepin County, the MN Department of Health and Human Services Chemical Health Division and State Medical Assistance. The delays of up to four months have affected childcare and child protection services.

Missouri: Both agencies in Missouri that responded to the survey indicated that late payments have not been a problem. According to the agencies, the state of Missouri has paid its obligations on time.

Nevada: The one agency in Nevada that responded to the survey indicated that while payments in federally funded or matched programs have not been an issue, county governments, including Clark County, have been delayed up to four to five months. This has affected wrap around service programs run in conjunction with the Department of Family Services/Child Protective Services as well as a transitional housing program.

New Jersey: Nine of ten responding agencies in New Jersey report not having any problems with late payments. For the most part, both state and local governments have paid their contractees on time. The one exception is in Hudson County, NJ, where delayed payments of two to three months have affected the Personal Assistance Services program for one agency

New York: Five of seven New York agencies that responded to the survey indicated that late payments have been an issue. Agencies reported delayed payments from New York State, as well as from several cities and counties, including Monroe County, the city of Rochester, Niagara County and others. Payments have been delayed from four months up to two years, affecting foster care programs, juvenile justice, school-based services, senior services, special education, city curfew programs, and the HUD Alternative for Independent Youth, among others.

North Carolina: The one agency in North Carolina that responded to the survey reported having difficulty procuring payments from the state. Payments have been delayed from 45 days to five months and have affected programs on domestic violence, sexual assault and juvenile justice.

Ohio: Both agencies in Ohio that responded to the survey indicated that late payments have not been a problem. According to the agencies, the state of Ohio and its counties have paid their obligations on time.

Oregon: The one agency that responded from Oregon indicated that late payments were a problem. The state has been delinquent in payments in 30-day increments, up to 90 days, affecting local mental health organizations, especially psychiatric residential treatment facilities.

Pennsylvania: Eight of ten agencies in Pennsylvania responding to the survey reported that late payments are an issue. Agencies repeatedly cited difficulty procuring payments from the city of Philadelphia, which affects funding for programs ranging from domestic violence shelters, to homelessness programs to in-home services to children to HIV/AIDS prevention and treatment. Delays range from 30 days to over six months. Agencies reported that some counties, including the County of Chester, Allegheny Counties and Westmoreland County, the state of Pennsylvania and direct federal contracts have paid on time.

Rhode Island: The one agency that responded to the survey responded that some payments from RI state agencies have been delayed from four to eight months. Affected programs include Safe and Drug Free Kids and Mental Health Retardation & Hospitals block grant programs. According to one survey respondent, state agencies making delayed payments claim the delays are caused by budget cuts and reduced staff.

South Carolina: Both agencies in South Carolina that responded to the survey indicated that late payments have not been a problem. According to the agencies, the state of South Carolina has paid its obligations on time, although one agency noted that it has had difficulty procuring payments from the federal government in their direct contract.

Tennessee: The one Tennessee agency that responded to the survey indicated that late payments have not been a problem. According to the agency, the state of Tennessee and its counties have paid their obligations on time.

Texas: Both responding agencies in Texas reported experiencing delayed payments, although one agency has already taken steps to fix the issue by meeting with the appropriate state department, whose delays seemed to have been caused by changes in personnel. One agency reported that the Texas Department of Family and Protective Services, the City of San Antonio, Bexar County and the Texas Health and Human Services Commission have all been delayed in their payments. Delays have ranged from 30 to 45 days and have affected Families & Schools Together as well as some San Antonio city programs.

Washington: Both agencies in Washington that responded to the survey indicated that late payments have not been a problem. According to the agencies, the state of Washington and its counties have paid their obligations on time.

Wisconsin: Three of six agencies in Wisconsin responding to the survey reported experiences with late payments, especially from the state of Wisconsin. Problems with Wisconsin Medicaid are especially prevalent, although this may have to do with new computer systems and software implementation, rather than cash flow. Other delayed departments include Bureau of Milwaukee Child Welfare and various county units. These late payments have affected mental health programs for adults and children, Community Support Program for Adults with Persistent Mental Illness, Intensive In-Home, Outpatient Psychotherapy and Day Treatment programs. All of these programs are primarily Medicaid-funded. Delays range from two weeks to one year.

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About the Alliance for Children and Families and United Neighborhood Centers of America

The Alliance for Children and Families, a nonprofit association, was formed by the 1998 merger of Family Service America and the National Association of Homes and Services for Children. The Alliance represents 360 nonprofit organizations across the nation that provide services and economic empowerment to children and families. Alliance agencies cover a wide spectrum of providers, including a diversity of faith-based organizations and nonsectarian agencies. Together, these organizations deliver more than \$2 billion annually in services to more than 8 million people in nearly 6,700 communities across the United States. More information about the Alliance is available at www.alliance1.org.

United Neighborhood Centers of America (UNCA) is a voluntary, nonprofit, national organization with neighborhood-based member agencies throughout the United States. Formerly known as the National Federation of Settlements and Neighborhood Centers, it was founded in 1911 by Jane Addams and other pioneers of the settlement movement. More information about UNCA is available at www.unca.org.

For more information, contact the Washington office of the Alliance and UNCA at:

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APPENDIX A

Questions

1. Is your organization suffering delayed payments from state or local governments?
(Please answer no if that is the answer. It helps us to know who is not suffering from this, too).
2. Which states and/or local governments, if any, have been paying on time? (several of our members operate in several jurisdictions)
3. Which states and/or local governments, if any, have been paying late? (several of our members operate in several jurisdictions)

If your agency is not suffering late payments, stop here and just hit reply on this email. Otherwise, please answer the following questions:

4. Which programs have suffering late payments?
5. How late have payments been?
6. What impact are these late payments having on your agency?