Testimony of University Settlement

Before the Committee on Finance and

the Committee on Governmental Operations, State and

Federal Legislation Hearing

April 16, 2025

My name is Melissa Aase, and I am the Chief Executive Officer at University Settlement Society of NY. I appreciate the members of the Committee for the opportunity to address the Committee regarding the significant potential challenges we face as a provider of critical programs supported through City contracts—many of which are braided with federal funds. We are deeply concerned about the cumulative impact of federal funding cuts and ongoing delays in the City contracting process.

University Settlement is one of New York City's most dynamic social justice institutions, with an impressive legacy as the first settlement house in the nation. For 139 years, University Settlement has been an anchor in the communities where we work, offering pioneering programs in early childhood care and education, youth development, eviction prevention, literacy, theater and visual arts, older adult services, and mental health. Each year, we engage over 40,000 New Yorkers, many of them immigrants or from low-income families, through our network of 30+ sites in Manhattan and Brooklyn. Our mission is to empower residents by building on their strengths and knowledge through comprehensive, quality services that meet the current needs of the community, innovation that anticipates future needs, and advocacy on behalf of the community and its residents.

Many of our contracts with agencies like the NYC Public Schools, the NYC Aging, and the Department of Health and Mental Hygiene (DOHMH) rely heavily on federal dollars, including Medicaid. In FY24 alone, University Settlement administered over $24 million in federal funding, including $12 million in direct and pass-through funding, along with an additional $12 million in Medicaid. These braided contracts are not isolated, but interdependent resources that allow us to provide comprehensive services that address the full scope of community needs. For example, at the City level, these contracts support our work with 250 older adults every day at our older adult centers and 200 daily meals through our Meals on Wheels program, as well as Head Start services for early childhood; at the state level, these contracts support our work with nearly 450 ESOL adult language learners,

food for our early childhood classrooms, and services for 500 tenants experiencing housing instability. As another example, at the Federal level, they make it possible for us to deliver college access services to more than 1,000 young people annually. While this layered funding model has supported innovation and scale, it also exposes us to compounding risk when federal dollars are reduced.

We are already experiencing the impact of federal funding reductions—particularly in education, housing, childcare, cash assistance, and other essential social services, including those that promote diversity, equity, and inclusion. These are not abstract concerns; the consequences are evident in our current contracts, and we anticipate deeper challenges ahead. For example, we spent over $100,000 to support vulnerable families facing hunger and homelessness, including emergency rental assistance for tenants at risk of eviction. However, we were recently notified that the contract that should reimburse us for this is on pause due to a federal payment freeze under the Emergency Food and Shelter Program through the Federal Emergency Management Agency (FEMA). We remain committed to serving communities in crisis with the expectation of reimbursement, but without federal support, we will be forced to reduce services. Continued federal disinvestment will result in direct service cuts, disproportionately harming immigrant and low-income New Yorkers who are already navigating systemic barriers.

The broader concern is that reductions in federal aid to New York City and State will create large budget gaps that our local governments will be expected to fill, placing even greater pressure on nonprofit partners who are already stretched thin. Without adequate buffers, these gaps will be passed down to nonprofits like ours and put us at risk of service reductions, program closures, and workforce instability at a time when communities need us most.

This crisis is worsened by another persistent challenge: delayed contracting and late payments by both the City and the State. These delays are no longer just an administrative burden—they are a financial hazard. We are routinely asked to deliver multi-year services without registered contracts or timely payments, creating a severe cash flow crisis, forcing us into a vicious cycle to take on interest-bearing loans or front costs just to maintain operations. This instability threatens our ability to retain staff, meet obligations, and provide consistent care. For the communities we serve, it translates directly into delays, disruptions, and lost trust.

To address these compounding challenges, we respectfully urge the City to take several actions. First, accelerate non-profit contract registration and payments, particularly for contracts braided with federal funds, and establish more robust mechanisms for advance or bridge funding to avoid service disruptions. The current $30 million bridge loan pool, while helpful, falls far short of meeting sector-wide needs. For example, as of now, a sample of just

16 human services organizations are collectively owed $90 million by the City. This staggering gap highlights how existing support is insufficient even for a fraction of providers, leaving the broader human services sector at serious risk. Without immediate action to expand bridge financing, organizations like ours will continue to shoulder unsustainable financial burdens. Second, identify funding streams most at risk of federal cuts and work collaboratively with nonprofit partners to develop contingency plans with clear timelines and expectations. Third, implement a strategic and expedited drawdown of federal funds in partnership with human services organizations, with consistent updates on funding status, projected shortfalls, and contract implications to support informed planning. Fourth, work with the State to design a comprehensive counterstrategy that proactively identifies at-risk programs and communities, models potential budget gaps, and advocates for emergency local or state investments where they are most needed. Cuts to essential programs like Head Start, the Emergency Food and Shelter Program, Public Safety programs and educational inclusion programs are already widening disparities in housing, education, and healthcare access. We urge the city to safeguard and expand culturally competent services by creating flexible local funding pools and ensuring City dollars are directed toward sustaining programs that serve communities disproportionately impacted by federal disinvestment.

Federal funding is a lifeline for countless programs that help close gaps in equity, affordability, and opportunity across New York City. This is not just a fiscal challenge—it is a systemic one. Nonprofits like University Settlement are not auxiliary supports; we are core to the city's social infrastructure, delivering critical services every day. However, we cannot preserve these essential programs without meaningful coordination and shared responsibility. We are calling for greater transparency, collaboration, and long-term planning to protect and remain accessible to the most vulnerable New Yorkers. We remain committed to working in partnership with the City Council and public agencies to safeguard stability, equity, and a resilient future for all communities. For further inquiries, please contact us at ceo@universitysettlement.org.

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