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Nonprofits Lose Funding

By [SHELLY BANJO](#)

Albany has cut off funding to thousands of nonprofits across the state and both sides remain unsure if and when the spigot will turn back on.

Due to New York's budget gridlock, the state since April has been unable to pay the roughly 30,000 social-service agencies it contracts with to provide safety-net services such as senior care and mental-health counseling. Even so, nonprofits say state agencies are still quietly asking them to keep operations going without knowing if the government will actually pay them later.

"I have contracts that go through August or December and these agencies want me to continue providing services," says Christine Molnar, president of Safe Space NYC Inc., which works with at-risk children to prevent foster-care placement. "My reserve will only carry me for a month. No business can operate this way."

Social-services agencies, which typically depend on government funding for 50% to 90% of their revenue, say this is the first time the state budget has been late that the governor hasn't included funding to nonprofits in any so-called extender bills, or emergency appropriations.

The Paterson administration says it intends to pay the service providers but until a budget or extender bill is passed, its hands are tied. "We are withholding payments because we literally can't afford to pay right now. We'll open the spigot when we can," said Eric Kriss, a spokesman for the state budget office.

The state is continuing payments for Medicaid expenses, he said.

The uncertainty comes as most nonprofits plan their budgets for the next fiscal year. In addition to the short-term cash crunch, nonprofits are bracing for larger budget cuts proposed to address the state's \$9 billion deficit.

New York is hardly alone. At least 45 states including New Jersey and Connecticut have imposed cuts in all major areas of state services, including health care, services for the elderly and education, according to the Center on Budget and Policy Priorities.

Meanwhile, nonprofits are laying off staff and cutting or reducing necessary programs that provide support for homeless and runaway youth, the elderly and mentally ill.

New York's Institute for Community Living, a mental-health services organization, is sending notice letters to the landlords of 500 apartments the organization rents for people with mental illness who live in supported housing with the help of government money.

Without the government payments, the institute won't be able to make the \$1 million rent.

"I imagine the landlords will immediately begin eviction procedures," says Peter Campanelli, the president and CEO of the institute.

Mr. Campanelli says his bank has made it clear that without a government contract in place to serve as collateral, it won't allow him to draw down on the organization's \$500 million line of credit. He says he's alerted his staff about potential layoffs.

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