STATE OF NEW YORK

10741

IN ASSEMBLY

March 27, 2026

Introduced by M. of A. PAULIN -- read once and referred to the Committee on Governmental Operations

AN ACT to amend the state finance law, in relation to contracting between state agencies and not-for-profit organizations

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Subdivisions 9 and 14 of section 179-q of the state finance law, as added by chapter 166 of the laws of 1991, are amended to read as follows:

9. "Renewal contract" means the documents necessary to continue in effect an existing contract between a state agency and not-for-profit organization, including any simplified contract documents in a form approved by the office of the state comptroller. ***"Renewal contract" shall also include any new contract between a state agency and a not-for-profit organization to provide the same or similar services as were provided by such not-for-profit organization to the state agency under a previously approved contract. Similar services are services that are comparable to those provided in a prior executed contract from the same agency.***

14. "Written directive" means a written request by a state agency to a not-for-profit organization authorizing such organization either to begin providing services during the negotiation of a contract or to continue providing services during the negotiation of a renewal contract. ***All written directives shall include a schedule for submission of invoices for work completed by the not-for-profit organization and the state agency's scheduled payment dates for submitted invoices.*** All written directives shall state that payment for the services provided is subject to the availability of appropriations, execution of either the contract or renewal contract, and approval of the contract or renewal contract by the comptroller and the attorney general. ***All written directives shall also include instructions on how to access the not-for-profit short-term revolving loan fund pursuant to section one hundred seventy-nine-z of this article.***

EXPLANATION--Matter in ***italics*** (underscored) is new; matter in brackets [-] is old law to be omitted.

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§ 2. Subdivision 1 of section 179-s of the state finance law, as added by chapter 166 of the laws of 1991, is amended and a new subdivision 4 is added to read as follows:

1. A state agency shall have not more than one hundred fifty days following the latest date on which any of the appropriations covered by the program plan become law to execute contracts with not-for-profit organizations pursuant to the program plan. Upon execution of each contract by the state agency and the not-for-profit organization, the contract shall immediately be delivered to the attorney general for approval. The attorney general shall within fifteen days of receipt either approve such contract or disapprove and return the contract to the state agency with reasons therefor. Upon approval, the contract shall be delivered to the comptroller who shall within fifteen days of receipt either approve and file such contract or disapprove and return the contract to the state agency with [~~his~~] **such comptroller's** reasons therefor.

4. When a state agency deems it necessary for a not-for-profit organization to commence the provision of services prior to full execution of a new, renewal, or extension contract and issues a written directive to the not-for-profit organization requesting the commencement of such services, the written directive shall provide a schedule and procedure for the not-for-profit organization to receive payment for work performed, including a commencement date for services that the state agency is requesting, a schedule and procedure for the not-for-profit organization to submit invoices to the state agency for work performed, and a schedule under which the not-for-profit organization can expect payment from the state agency.

§ 3. Subdivisions 1 and 4 of section 179-z of the state finance law, as added by chapter 166 of the laws of 1991, are amended and a new subdivision 5 is added to read as follows:

1. The state comptroller is authorized to provide loans from the not-for-profit short-term revolving loan fund established by section ninety-seven-jj of this chapter to any not-for-profit organization in receipt of a written directive from a state agency. The state comptroller may provide such a loan to a not-for-profit organization upon receipt of a written agreement providing reasonable assurances of repayment that is satisfactory to the comptroller. Such loan shall not bear interest and repayment of such loan may be prorated over the term of the expected or renewal contract, provided the term of the loan does not exceed one year. The amount of each such loan shall not exceed [~~one-half of the first quarter~~] **the full** payment of the subject contract.

4. Any not-for-profit organization receiving a loan from the not-for-profit short-term revolving loan fund shall be ineligible [~~to receive interest from a state agency, notwithstanding the provisions of section one hundred seventy-nine-v of this article and shall be ineligible~~] to receive advance payments **for the amount that they received in the loan**, notwithstanding section one hundred seventy-nine-u of this article.

5. Instructions on how to access the not-for-profit short-term revolving loan fund shall be provided to every not-for-profit organization that receives a written directive, contract, or renewal contract from a state agency. Such instructions shall also be posted in a conspicuous manner on the websites of the state comptroller and the New York State Nonprofit Unit.

§ 4. Section 179-aa of the state finance law, as amended by chapter 672 of the laws of 2019, is amended to read as follows:

§ 179-aa. Advisory committee. There is hereby established a not-for-profit contracting advisory committee. The advisory committee shall consist of sixteen members which shall include eight appointed members, four to be appointed by the governor who shall be representatives of not-for-profit organizations providing services in the state, and two each to be appointed by the governor upon recommendation of the temporary president of the senate and speaker of the assembly, and eight ex officio members of the committee, one each designated from the division of the budget, the department of law, the office of the state comptroller, and the education department. The governor shall also designate four members from among the following agencies: the department of state, the office of children and family services, the office of temporary and disability assistance, the department of health, the office of mental hygiene, the office for people with developmental disabilities, and the department of labor. The governor shall designate an appointee to serve as chair of the committee. The advisory committee shall meet at least quarterly and [~~upon its own initiative may~~] **shall**: comment and report on the implementation and operation of the not-for-profit short-term revolving loan fund; advise the governor, comptroller**, legislature, attorney general** and state agencies on the implementation and operation of this article; evaluate the benefits of requiring all state agencies to use standard contract language and the extent to which standard language may be effectively included in contracts with not-for-profit organizations; **evaluate and provide feedback on improvements to the statewide financial system;** review annually the report of the office of the state comptroller made pursuant to section one hundred seventy-nine-bb of this article; and propose any legislation they deem necessary to improve the fund and this article. The committee shall report to the **comptroller's office, the office of the attorney general, the** governor and the legislature with recommendations on improving the contracting procedures with not-for-profit organizations which receive state funds through the intermediary of municipalities. Such reports shall be due annually not later than December first**, and shall be made available to the general public, including a conspicuous posting on the website of the New York State Nonprofit Unit**.

§ 5. Paragraphs (a) and (e) of subdivision 2 and subdivision 3 of section 179-f of the state finance law, paragraphs (a) and (e) of subdivision 2 as amended by chapter 36 of the laws of 2016 and subdivision 3 as amended by chapter 568 of the laws of 2015, are amended to read as follows:

(a) the state comptroller in the course of [~~his or her~~] **such comptroller's** audit determines that there is reasonable cause to believe that payment may not properly be due, in whole or in part;

(e) the goods or property have not been delivered or the services have not been rendered by the contractor in compliance with the terms or conditions of the contract**, except that where the contractor presents an invoice of a subcontractor as proof of the cost and may pay subcontractors upon receipt of payment on the invoice or voucher by the agency, proof of such payment by the contractor to the subcontractor shall be provided by the contractor to the state agency within thirty days of the receipt of the voucher payment**;

3. Each state agency shall have fifteen calendar days after receipt of an invoice by the state agency at its designated payment office, or in the case of an invoice received from a small business, seven calendar days, to notify the contractor of (a) **material** defects in the delivered goods, property, or services, (b) **material** defects in the invoice, or

(c) suspected improprieties of any kind[~~; and the~~]**. The** existence of such **material** defects or improprieties shall [~~prevent the commencement of~~] **pause the calculation of** the time period specified in subdivision two of this section **until such material defects or improprieties have been corrected**. [~~When a state agency fails to notify a contractor of such defects or suspected improprieties within fifteen calendar days, or seven calendar days if such contractor is a small business, of receiving the invoice, the number of days allowed for payment of the corrected proper invoice will be reduced by the number of days between the fifteenth day, or seventh day if payment of such proper invoice is for a small business, and the day that notification was transmitted to the contractor.~~] **If the agency notifies the contractor of a material defect or impropriety that was present in the original invoice after the initial fifteen calendar days from when the invoice was originally submitted, then the time period specified in subdivision two of this section shall continue to run and shall not be affected by such notification.** If the state agency, in such situations, fails to provide reasonable grounds for its contention that a **material** defect or impropriety exists, the required payment date shall be calculated from the date of receipt of an invoice. **Scrivener's errors or rounding errors that result in a variance of less than one hundred dollars shall not be considered material defects for the purposes of this section.**

§ 6. This act shall take effect on the one hundred eightieth day after it shall have become a law.