



New York City Contract Spending Trends

Highlights

- New York City spent \$22.7 billion on expense contracts in FY 2023 excluding contracts for COVID-19 and asylum seekers. This compares to \$10.6 billion in FY 2010.
- Excluding extraordinary expenses, contract spending represented nearly 21 percent of operating spending in FY 2023, compared to 16 percent in FY 2010.
- Expense contract spending grew at a faster rate than citywide spending from FY 2010 to FY 2023, with annual growth of 6 percent for contracts compared to 3.9 percent for total citywide spending.
- Contract spending also grew faster than inflation for the New York metropolitan area from June 2019 to June 2023.
- The Department of Education (DOE) had the largest share of citywide contract spending in FY 2023, totaling \$10.5 billion, or 46.4 percent.
- Contract spending at the Department of Homeless Services (DHS) grew the fastest from FY 2010 to FY 2019 compared to other City agencies, with annual growth of 10.8 percent compared to 5.6 percent for citywide contract spending.
- The City's spending on criminal justice and indigent defense contracts grew at an annual rate of 22.8 percent from FY 2019 through FY 2023, more than three times the rate of citywide contract spending growth.

More than a fifth of New York City's operating expenses went toward procurement contracts in Fiscal Year (FY) 2023, through which it purchased, rented, or leased \$24.3 billion in goods and services. Contract spending has grown significantly in recent years. From FY 2019 to FY 2023, City spending on expense contracts grew by nearly \$7 billion, comprising 41 percent of total citywide spending growth in this period.

Some of this growth was for emergency services. In FY 2023, the City spent \$1.6 billion on expense contracts in response to the COVID-19 pandemic and to provide services for asylum seekers. But even excluding these extraordinary expenses, contract spending grew at an annual rate of 7 percent from FY 2019 to FY 2023, which was twice the rate of citywide spending.

This rapid growth warrants analysis of both spending trends and service delivery. The City's increased reliance on contracts to expand programming offers additional capacity and operational flexibility, but also creates a greater need for oversight to ensure that services are high-quality and delivered continuously. Sufficient staff are also needed to ensure that contracts are registered punctually and negotiated in the City's best interest, and that providers are paid on time. Delays in payments to providers impair provider capacity, which could lead to diminished quality of services or service interruption.

The Office of the State Comptroller (OSC) analyzed the recent growth in the City's expense contract spending, and identified key program areas that have driven the growth. Where possible, OSC reviewed changes in service volume, which did not always align with changes in spending.

Background

The City uses contracts for a variety of reasons, including the provision of social and educational services, work that requires certain expertise, purchase of fleet and materials, and emergency management. By using contracts, the City may also seek to deliver cost effectiveness solutions through competitive bidding and volume-based pricing.

The Mayor's Office of Contract Services (MOCS) and the City Comptroller both publish annual reports or indicators on registered transactions which include information on procurement methods, contract size, and industry type. However, these reports are from the procurement perspective, and therefore include total contract values for both expense and capital which may span multiple years.

Contract Oversight Considerations

In contracting out services, the City relies on providers to implement program and operational functions. However, the City still has an oversight obligation to ensure that these services are delivered, are of high-quality, and adhere to the terms of the contract. As contract spending grows, particularly as it relates to program expansion or enhancement or an increased number of vendors, sufficient staff must be in place to effectively manage the procurement process, review and approve vendor payments, and oversee program delivery.

Previous audits conducted by OSC have recommended oversight improvements at a number of agencies to enhance cost efficiency, improve adherence to standards, and provide better services. These audits have included reviews of shelter facilities' capital improvements, home-delivered meals, custodial services bidding, early childhood education programs, summer youth employment and after school services, and

foster care and at-risk youth programs, among others.

The City Comptroller has also highlighted delays in paying nonprofit human services providers, which can risk the continuity of service delivery. In February 2022, the Mayor and the City Comptroller jointly released "A Better Contract for New York: A Joint Task Force to Get Nonprofits Paid on Time," which listed action items to shorten procurement timelines. However, in January 2024 the City Comptroller reported that for FY 2023, more than 27 percent of the City's contracts with non-profit vendors were registered six months to one year late, and more than 31 percent were registered more than a year late.

Methodological Considerations

This report analyzes actual spending on expense contracts by year, which provides a better sense of the budgetary ramifications of such spending, including their change over time. OSC analyzed annual spending on contracts for fiscal years 2010, 2014, 2019, and 2023, which captures spending growth following the Great Recession, shifts in policy priorities prior to the pandemic, and choices made during the pandemic. The analysis focuses on changes in spending for recurring program services funded in the City's operating budget to highlight areas where notable shifts have occurred.

As such, the analysis excludes capital contracts and costs for pandemic and asylum seeker services. Expenses are presented on an accrual basis, which records spending in the year of activity, and spending growth is calculated using the compound annual growth rate (CAGR) formula. OSC did not analyze procurement methods or negotiated terms for individual contracts, although these could also impact contract costs.

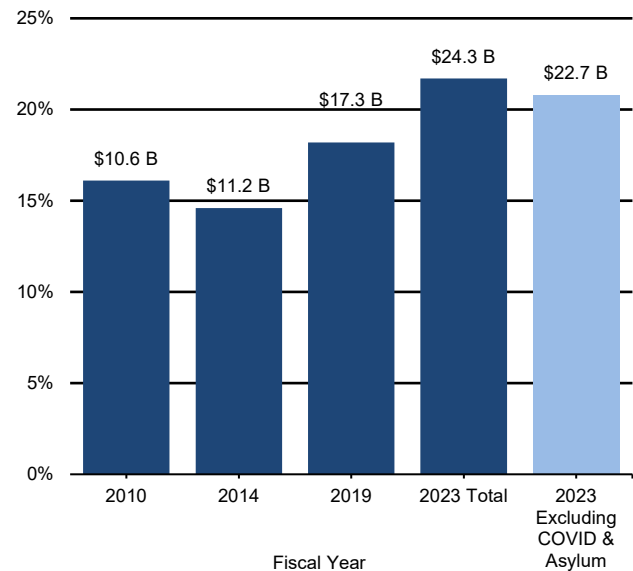
Citywide Overview

Citywide contract spending has grown substantially since 2010, both in dollar amount and as a share of operating costs (see Figure 1). In total, the City spent \$24.3 billion on expense contracts in FY 2023, compared to \$10.6 billion in FY 2010. This represented nearly 22 percent of operating spending in FY 2023, compared to 16 percent in FY 2010.

Emergency Services

Nearly a quarter of the increase in contract spending from FY 2019 to FY 2023 was due to emergency services. In FY 2023, the City recorded significant expenses in response to the COVID-19 pandemic (\$1.6 billion, of which nearly \$690 million was for contracts) and the rapid influx of asylum seekers (\$1.47 billion, of which \$934 million was for contracts).¹ The City utilized both emergency and non-emergency contracts for these efforts. OSC's analysis of contract spending by agency excludes these extraordinary costs.² (See OSC's [previous reports](#) on the City's

FIGURE 1
Citywide Contract Spending as a Share of Operating Costs



Notes: Total funds excludes adjustments for intra-city sales, prior year payables, and interfund agreements. Operating costs equal to general fund spending. The "2023 Excluding COVID & Asylum" figures excludes items that the City has identified for such expenses.
Sources: NYC Office of Management and Budget; OSC analysis

FIGURE 2
Contract Spending by Agency, Excluding COVID-19 and Asylum Seeker Contracts
(in millions)

Agency	FY 2010	FY 2014	FY 2019	FY 2023	CAGR 2010-2019	CAGR 2019-2023
Department of Education	3,888.7	4,606.9	7,278.1	10,530.5	7.2	9.7
Department of Homeless Svcs	784.1	885.9	1,967.2	2,424.9	10.8	5.4
Admin for Children's Svcs.	1,728.5	1,721.1	1,973.9	1,812.5	1.5	-2.1
Health and Mental Hygiene	1,057.9	817.5	887.2	1,157.2	-1.9	6.9
Department of Social Svcs	731.2	493.5	882.2	1,016.7	2.1	3.6
Criminal Justice/Indigent Def.*	180.7	240.7	426.3	969.7	10.0	22.8
Youth & Community Develop.	306.3	325.8	675.3	889.4	9.2	7.1
Sanitation	366.9	347.0	513.1	539.5	3.8	1.3
All Other	1,587.6	1,796.1	2,723.6	3,336.9	6.2	5.2
Total	\$ 10,631.9	\$ 11,234.5	\$ 17,326.9	\$ 22,677.2	5.6%	7.0%

Note: Totals may not add due to rounding. Amounts exclude extraordinary expenses for COVID and asylum seekers.

*Subset of the Miscellaneous Budget for these years. Criminal Justice/Indigent Defense contracts comprised 94% of Miscellaneous Budget contract spending in FY 2023.

Sources: NYC Office of Management and Budget; OSC analysis

¹ The City's payments to NYC Health + Hospitals were recorded as emergency-related expenses for both COVID-19 and asylum seeker services, but were not classified as contract expenses.

² Pandemic costs represent recorded expenses that were identified by the City as COVID-19-related. This does not include additional pandemic funds that were recognized as revenue for budget relief.

Contract Spending as a Share of Total Spending by Agency

In FY 2023, six City agencies spent more than half of total agency spending on expense contracts, although only three met the threshold for analysis in this report (excluding costs for COVID-19 and asylum seekers; see Figure 3). Agencies with substantial shares of their budgets dedicated toward contract spending require greater oversight of contracted service delivery to ensure those services delivered are high-quality.

The largest growth in share from FY 2010 to FY 2023 was at the Department of Small Business Services (SBS), which holds the City's contract for the New York City Economic Development Corporation (NYCEDC). SBS's spending for NYCEDC grew by \$97 million from FY 2019 to FY 2023.

FIGURE 3
Agencies With Contract Spending Comprising 50% or More of Total Agency Spending by Fiscal Year
 (Excludes COVID-19 and Asylum Seeker Costs)

Agency	Contract Spending Share of Total Agency Spending			
	2010	2014	2019	2023
Homeless Svcs.	83.4%	85.0%	90.2	91.9%
Aging	77.9	87.1	89.1	89.6
Small Business	70.8	81.1	79.6	84.7
Youth & Comm.	75.5	80.6	77.4	80.7
Children's Svcs.	60.1	61.8	62.7	60.9
Health & Mental	62.8	57.5	49.8	55.6

Notes: Spending based on total funds; excludes adjustments for intra-city sales, prior year payables, and interfund agreements. Contract spending includes expenses coded to fund 1, object codes 600-699. All expenses adjusted to exclude budget codes that the City identified as either COVID-19 or asylum seeker-related. Individual agency shares are calculated on agency spending which excludes centralized costs for fringe benefits and debt service.
 Sources: NYC Office of Management and Budget; OSC analysis

[pandemic response](#) for details and the [Asylum Seeker Spending Report](#) for examples of the City's spending during these emergency periods.)

Contract Spending by Agency

Excluding extraordinary expenses, contract spending grew at a faster rate than citywide spending from FY 2010 to FY 2023, with annual growth of 6 percent for contracts compared to 3.9 percent for total citywide spending. From FY 2019 to FY 2023, contract spending grew 7 percent annually, which was twice the rate of citywide spending and faster than inflation, which rose 3.6 percent annually for the New York Metropolitan Area from June 2019 to June 2023.³

There were eight City agencies in FY 2023 that spent more than \$500 million on expense contracts, making up more than 85 percent of all contract spending. Six of these also grew at a rate that was equal to or greater than inflation from FY 2019 to FY 2023 (see Figure 2, prior page). This report provides additional analysis on these six agencies to identify substantial cost drivers of increased contract spending.

The analysis generally shows a period of slow growth following the Great Recession, followed by significant expansion of education and social services in the years leading to the pandemic. The pandemic led to further expansion of education and social spending on contracts, including for programs which were initially funded with federal pandemic relief.

DOE had the largest share of citywide contract spending in all years examined, comprising 37 percent in FY 2010, growing to 46 percent in FY 2023. Spending on DOE contracts also drove

³ U.S. Bureau of Labor Statistics, [Consumer Price Index for New York-Newark-Jersey City](#); OSC analysis.

more than half of the citywide growth in contract spending from FY 2010 to FY 2019, and 61 percent from FY 2019 to FY 2023. However, it is worth noting that while Carter Cases (federally mandated special education services) and charter schools (two of the largest drivers of increasing contract costs at DOE) are services for which the City works with providers, they are also legally mandated, and therefore the growth in spending is not entirely within the City's control. (See OSC's report [Pandemic Impacts on NYC Fiscal Year 2024 Budget Priorities](#) for further discussion on discretionary and nondiscretionary spending.)

While DOE drove the dollar growth on contract spending from FY 2010 to FY 2019, DHS grew the fastest, with annual growth of 10.8 percent compared to 5.6 percent for citywide contract spending and is now the second largest agency by contract spending. Contract spending at the Department of Youth and Community Development (DYCD) more than doubled in this period, with the largest growth between FY 2014 and FY 2019.

From FY 2019 through FY 2023, the fastest growth in contract spending was for criminal justice contracts and indigent defense services, which made up 94 percent of the Miscellaneous Budget contract spending in FY 2023 and were overseen by the Mayor's Office of Criminal Justice during this period. These contracts grew at an annual rate of 22.8 percent.

Other agencies, including the Department of Social Services (DSS) and the Administration for Children's Services (ACS) grew more slowly than the citywide rate during the years analyzed. Spending at the Department of Health and Mental Hygiene (DOHMH) declined from 2010 to 2019.

Given the focus on contract spending growth in this analysis, particularly over the pandemic, the ACS and Department of Sanitation (DSNY) are excluded as cost growth was below the rise in the

Consumer Price Index during that period. Generally, minimal spending growth at ACS was due to shifts in the City's programming for early childhood supports, some of which have been transferred to DOE. Increases at the DSNY are almost entirely driven by waste export contracts, many of which include provisions for pricing adjustments tied to inflation. While the volume of waste disposed has remained relatively consistent in recent years, contract costs have increased by \$65 million since FY 2019.

Additionally, OSC did not analyze the timing of payments to vendors, but did review total FY 2024 cash payments recorded through June for the 30 largest vendors for shelter and Carter Cases, two significant drivers of spending growth for the agencies reviewed. The top 30 vendors comprised more than half of the contract payments at DOE for Carter Cases, and more than 90 percent of the payments at DHS for shelter providers. This concentration highlights the importance of oversight to manage any financial or operational risks for vendors, including paying vendors promptly, to avoid service disruptions.

Citywide full-time staffing levels [declined during the pandemic](#) due to heightened attrition and multiple rounds of a hiring freeze. These declines also afflicted most of the largest contracting agencies, even as contract expenses grew. Excluding pedagogues and uniformed employees at the DOE and DSNY, full-time headcount declined at the agencies with the largest contract spending, except for DYCD, from December 2020 to March 2024. The two largest departments by contract spending were DOE, which declined by 353 positions, or 2.6 percent, and DHS, which declined by 253 positions, or 12 percent. While total agency staffing is not a direct measure of those responsible for contract oversight, a decline in overall staffing may indicate diminished capacity to identify, manage and support vendors.

Contract Spending by Agency Program Area

Department of Education

Contract costs at the DOE have risen significantly since FY 2010, from nearly \$3.9 billion to over \$10.5 billion in FY 2023, increasing by 170.8 percent over the period, at an annual rate of 8 percent (see Figure 4). During this period, the DOE’s total operating budget increased by \$12.9 billion, meaning that contract costs accounted for more than half of the total increase in operating costs.

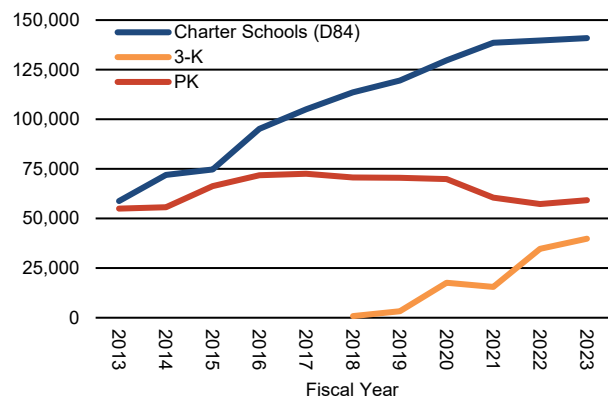
Contract costs grew most rapidly over the last 10 years, as substantial programming was added, new approaches were taken on custodial and transportation services, and charter school enrollment and Carter Cases rose. Between FY 2010 and FY 2014, growth was \$718 million (4.3 percent annual growth), driven mostly by the introduction of charter schools, and accounting for 45.5 percent of the total increase in DOE operating costs over that period.

Contract costs accelerated between FY 2014 and FY 2019, rising by nearly \$2.7 billion (annual growth of 9.6 percent). About \$1 billion of the

contract cost growth (38.6 percent) came via charter school costs, which nearly doubled as enrollment grew by nearly 48,000 seats (66.3 percent; see Figure 5). A further \$662 million was added for school facilities as the City restructured its contracts with janitorial staff, removing them from official payrolls and reclassifying them as contracted employees, with some offset for payroll spending. In an audit of these services, [OSC noted](#) that the contract “lacks performance standards related to the quality of the work performed.”

At the same time, the City introduced Universal Pre-Kindergarten (UPK) for 4-year-olds, centralizing it under the DOE and expanding

FIGURE 5
Selected Student Enrollment in NYC



Sources: New York City Department of Education; OSC analysis

FIGURE 4

Department of Education Contract Spending by Unit of Appropriation (in millions)

Unit of Appropriation	FY 2010	FY 2014	FY 2019	FY 2023	CAGR 2010-2019	CAGR 2019-2023
Charter Schools	--	1,065.3	2,095.0	2,896.5	--	8.4
Pupil Transportation OTPS	903.1	975.2	1,239.0	1,555.5	3.6	5.9
Contract Schools	938.7	583.0	889.4	1,417.4	-0.6	12.4
School Facilities OTPS	169.9	212.4	874.6	1,076.4	20.0	5.3
Universal Pre-K OTPS	--	--	352.9	872.3	--	25.4
Pre-K Special Education Contracts	852.6	824.8	734.4	783.5	-1.6	1.6
Categorical Programs OTPS	462.7	393.4	366.8	700.4	-2.5	17.5
Early Childhood Programs OTPS	--	--	2.6	520.2	--	277.2
All Other Contracts	561.7	552.9	723.4	708.3	2.8	-0.5
Total	\$3,888.7	\$4,606.9	\$7,278.1	\$10,530.5	7.2%	9.7%

Note: Totals may not add due to rounding. Amounts exclude extraordinary expenses for COVID and asylum seekers.

“OTPS” stands for Other Than Personal Services and denotes expenses other than employee salaries and fringe benefits.

Sources: NYC Office of Management and Budget; OSC analysis

access throughout the five boroughs, which added \$353 million by 2019. The DOE's contracts school budget also grew by over \$300 million as spending on Carter Cases more than doubled.

The pace of DOE contract spending growth continued during the pandemic years, rising by nearly \$3.3 billion from FY 2019 to FY 2023 (9.7 percent annually), making up nearly three-quarters of the department's total operating cost increase during this period.

The largest single driver of the increase in contract costs between FY 2019 and FY 2023 was payments to charter schools, which increased by more than \$800 million. Enrollment growth contributed to this increase once again, as City charter schools added more than 21,000 seats (17.9 percent) over that period, but state-mandated increases in per-pupil charter school payments accelerated the growth. Charter school basic tuition rates in New York City increased by 15.1 percent over this period. Charter school lease costs also grew during this time; if the City will not or cannot offer space in department-owned buildings, it is required under State law to pay a charter school's rental costs in privately-owned buildings at market rates. Some of these costs are split with the State.

Contract school payments rose by \$528 million between FY 2019 and FY 2023, again driven primarily by Carter Cases, which grew by \$486 million during this period, accounting for more than 92 percent of the increase in contract school payments. For more information on annual increases in Carter Case costs and the longstanding structural risk they present to the City's budget, see OSC's recent [Financial Plan Reports](#).

Expansions of preschool and early childhood education costs, supported by pandemic relief funding, each account for about \$520 million of the increased contract payments. Contract spending on UPK grew by \$519 million between FY 2019 and FY 2023, even as UPK enrollment dropped by more than 11,000 (16.1 percent).

Meanwhile, during this period, the City rolled out its "3-K" program, offering free educational child care to all 3-year-olds; enrollment in the City's 3- K program grew from just 3,300 children in FY 2019 to nearly 40,000 in FY 2023. Contractual payments for early childhood programs at DOE increased by \$518 million, mostly for contractual day care of children and contractual services under the federal Head Start program, both of which were new additions to the department's budget as the 3-K program was standardized.

In [response](#) to a 2019 audit from OSC, DOE noted that they had recently put in place a policy support group to monitor health and safety outcomes at UPK centers with operational checklists to assess accuracy and completeness of reviews. Such monitoring may also be beneficial for expanded 3-K services.

Finally, contract spending for categorical programs (direct educational services to students) and new school bus contracts each account for about 10 percent of the increase in the department's total contract spending from FY 2019 to FY 2023 (increases of \$334 million and \$317 million, respectively). A \$202 million increase in school cleaning contracts accounts for the remainder of the department's increased contract spending, driven by collective bargaining.

Excluding pedagogues, full-time staff in DOE's UPK and early childhood divisions declined by nearly 30 percent (76 positions) and 47 percent (88 positions), respectively, from December 2020 to March 2024. Central administration staff declined by over 16 percent. While it is difficult to determine the number of positions affected which were directly responsible for procurement, contract oversight, technical support for or program evaluation of vendors, the decline is worth understanding further for its impact on DOE's contracting capacity for these services, particularly given the rise in spending.

Department of Homeless Services

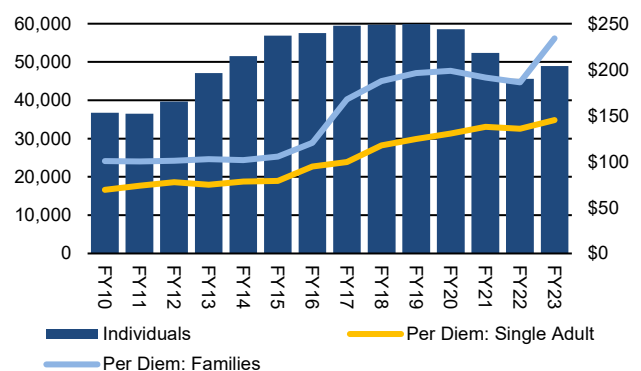
The DHS spent \$2.4 billion on contracted services in FY 2023, excluding COVID and asylum seeker-related costs (see Figure 6), mostly to provide shelter for unhoused individuals and families, as well as drop-in and outreach services to street homeless individuals. This reflects an increase of \$457.6 million since FY 2019 and \$1.6 billion since FY 2010, with compounded annual growth rates of 10.8 percent from FY 2010 to FY 2019 and 5.4 percent from FY 2019 to FY 2023, respectively.

Homeless family and individual services accounted for the largest share of contract costs at DHS in FY 2023 (95 percent, or \$2.3 billion combined), primarily for shelter and intake programs. The growth in DHS shelter contracts was driven by DHS’s shelter model budget reform, initiated in 2016, which included efforts to make repairs and enhance social services and security at shelters, while also standardizing rates for services provided at shelters around the City. Between FY 2014 and FY 2019, per diem rates for single adult shelters rose 59 percent (from \$78 to \$124) as per diem rates for family shelters rose 93 percent (from \$101 to \$196) (see Figure 6).⁴

While growth from FY 2010 to FY 2019 was partially fueled by an increase in the shelter census, non-asylum individuals in shelter declined in FY 2020 with the advent of the COVID-19 pandemic. Social distancing requirements depleted the ranks of congregate shelter residents and an eviction moratorium in New York State from March 2020 to January 2022 reduced the number of new entrants into the shelter system.

Despite this decline in the shelter census, contracted costs have risen, and are expected to continue to do so as the non-asylum shelter census returns to pre-pandemic levels. OSC has

FIGURE 6
Non-Asylum Individuals in Shelter



Sources: NYC Human Resources Administration; Office of Asylum Seeker Services; NYC Mayor’s Management Report; OSC analysis. FY 2023 per diem rates are blended for asylum seekers and non-asylum seekers.

identified risks of \$378 million in the City’s financial plan for DHS — pertaining to non-asylum residents if the current shelter population stabilizes at roughly 59,700 individuals, the average individual census at DHS shelters for fiscal years 2017 through 2019. This number includes \$64 million for security guards which results from legislation enacted by the City in 2021 to provide prevailing wages at city-contracted shelters (see OSC’s [April Plan report](#)).

Department of Health and Mental Hygiene

The DOHMH contracts with providers that offer services promoting mental wellness, alcohol and drug use prevention and treatment, maternal health, Early Intervention for children up to 3 years of age and chronic disease prevention, which make up more than 80 percent of contract spending. Contract spending at the agency has grown slowly since 2010, excluding COVID-19 expenses, partially due to program transfers to other agencies, but picked up as demand for DOHMH services rose during the pandemic (see Appendix A).

A State initiative that centralized statewide claims for the Early Intervention program resulted in the

⁴ From June 2014 to June 2019, the Consumer Price Index in the New York metropolitan area rose by a CAGR of 1.3

percent; the FY 2023 per diem rates are blended rates for asylum seekers and non-asylum seekers.

State sending payments directly to providers instead of flowing through the DOHMH budget. This led to contract spending at DOHMH to decline by \$240 million from FY 2010 through FY 2014.

From FY 2019 through FY 2023, contract expenditures at the DOHMH increased at an annual rate of 6.9 percent, with the largest drivers being mental health and disease control programs, which comprised nearly 70 percent of the growth in this period. The growth reflects expansions to existing programs and new programs developed during the pandemic.

From FY 2019 through FY 2023, contract expenses for mental health programs increased by \$126.6 million due to the increased accessibility and utilization of mental health services during the pandemic. For example, the number of people served by long-term mobile community-based treatment providers increased 13 percent during this period. Mobile treatment team expansions and new Assertive Community Treatment teams were also deployed in FY 2023.

Additionally, DOHMH contracts with non-profits that provide services in supportive housing units for people with, or at risk for, developing serious mental health and substance use disorders. These contract expenses rose as the number of available units increased by 25 percent between FY 2019 and FY 2023.

Contract spending further increased during this period for programs to address the opioid epidemic, maternal health, mental health and the NYC Well call center. Growth in disease control contract expenditures from FY 2019 through FY 2023 can be attributed to the City's response to the Mpox virus and increased investments to manage HIV.

Department of Social Services

In the years that OSC analyzed, total contract spending at DSS grew more slowly than at DHS, with annual growth of just 2.1 percent from FY 2010 to FY 2019 and 3.6 percent from

FY 2019 to FY 2023. In FY 2023, more than three-quarters of DSS's contract spending came from three program areas: public assistance (30 percent, or \$301 million); followed by adult services (26 percent, or \$266 million); and legal services (21 percent, or \$209 million). See Appendix A.

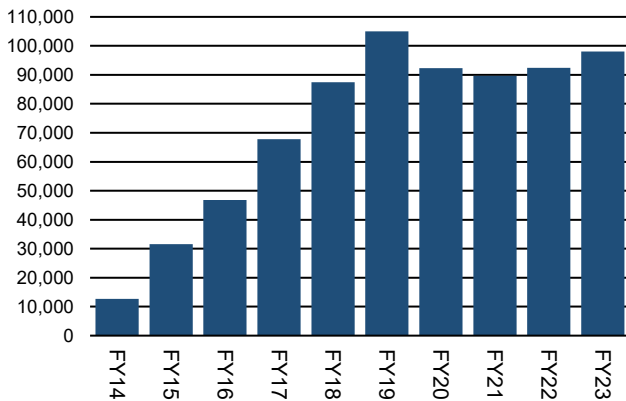
However, a large decline in spending on home care services at DSS from FY 2010 to FY 2014 offset new spending for contracted legal services that began with the creation of the Office of Civil Justice (OCJ) in 2015, and higher spending on public assistance contracts, which include employment services and homeless prevention.

The period that underwent the greatest change was FY 2014 to FY 2019, when contract spending grew by nearly 80 percent (or \$389 million). In that time, social service programs were expanded based on policy choices. Higher contract spending on legal services (provided by the newly created OCJ) comprised 39 percent of the total growth (\$153 million), making such services the fastest category of growth in contracted services at DSS from FY 2014 to FY 2019.

Not long after the creation of OCJ, the City passed legislation to establish the Right to Counsel program in 2017, which sought to provide low-income tenants facing eviction in housing court with free legal assistance. Spending on these services increased again from FY 2019 to FY 2023, comprising nearly 42 percent of contract spending growth, due to higher service demand after the pandemic moratorium on evictions expired in January 2022 (see Figure 7). In FY 2023, OCJ reported an 83 percent increase in eviction case filings from FY 2022.

Public assistance contract spending comprised the second-largest growth from FY 2014 to FY 2019, but this was largely due to the transfer

FIGURE 7
Individuals Receiving Legal Services for Housing Through OCJ Programs



Source: NYC Office of Civil Justice

of homeless prevention services (Homebase) from DHS to DSS in FY 2017. Employment services also increased during this time, due to the implementation of new employment services contracts. The new contracts provided specialized services for youth and other groups with specific needs and emphasized education, training and individualized job placements.

Criminal Justice and Indigent Defense Contracts

The City’s spending on criminal justice and indigent defense contracts in FY 2023 was more than five times what was spent in FY 2010. Contract spending grew nearly 23 percent annually from FY 2019 to FY 2023, the fastest growth of any agency during this period (see Appendix A and Citywide Overview).

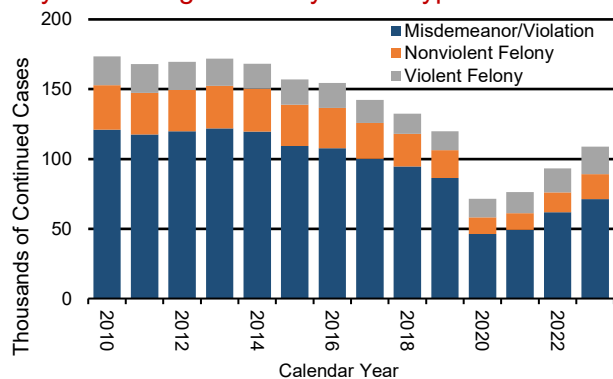
More than two-thirds of the growth from FY 2019 to FY 2023 was for criminal justice programs. These included agreements with community-based organizations that provide pretrial services, alternative to incarceration (ATI) programs, anti-gun violence programs, and re-entry services to support people returning to their communities after incarceration.

The large growth in criminal justice contracts began in FY 2016, when the supervised release program was first expanded citywide, and

continued in FY 2018 with the launch of a citywide re-entry employment program. Meanwhile Crisis Management System anti-gun violence contracts were transferred to the Mayor’s Office of Criminal Justice from other City agencies and expanded. These programs, along with ATI programs, supported the City’s plan to close Rikers, and were further expanded through the October 2019 Borough-Based Jail Plan Points of Agreement. Some of the expansion was enabled through the use of asset forfeiture.

Spending on indigent defense contracts also increased significantly from FY 2010, despite a sharp decline in citywide arraignments (see Figure 8). This was due in part to a higher volume of appeals and Article 10 parental representation cases, whose activity are not captured with arraignments. The fastest growth in indigent defense contract spending was during the pandemic, largely driven by additional State funding for mandated improvements to the delivery of public defense services. The City also chose to fund more wraparound services and to include homicide cases, which had previously been assigned to Assigned Counsel Plan attorneys.

FIGURE 8
Citywide Arraignments by Case Type



Sources: NYC Mayor’s Office of Criminal Justice; OSC Analysis
 NYC Criminal Justice Agency; OSC analysis

Department of Youth and Community Development

DYCD contracts with non-profit community-based organizations to provide an array of supports for youth and their families, and community development programs that provide services and activities for youth and low-income populations. More than three-quarters of DYCD's total spending is on contracts and overall contract spending at DYCD grew by about 9.2 percent annually between FY 2010 and FY 2019 (see Appendix A).

The majority of contract spending at DYCD is for summer and after-school programming for youth and young adults, including programs at New York City Housing Authority facilities; Beacons, which are school-based community centers that offer programs for people of all ages; and contracts for runaway and homeless youth and young adults. These programs grew the most between FY 2014 and FY 2019, reflecting policy decisions which expanded after-school programming (see Figure 9).

While participation declined as programs were closed during the pandemic, spending grew again in FY 2023 as programs reopened and the City expanded and baselined funding for the Summer Rising program, which was initially funded with

pandemic relief funding. The City also expanded its youth employment programs as part of its pandemic recovery, but the majority of those expenses are outside of contract spending.

Contracts in community development include programs in low-income communities such as adult literacy programs, food pantries, immigrant support, domestic violence intervention and housing assistance, including programs funded with community services block grant (CSBG) funding. Contract expenditures nearly doubled from FY 2019 to FY 2023 mostly driven by federal increases to CSBG and program support from non-Mayoral elected officials such as the City Council. Increased funding for adult literacy programs created additional opportunities and the number of participants increased from 14,033 in FY 2019 to 16,520 in FY 2023.

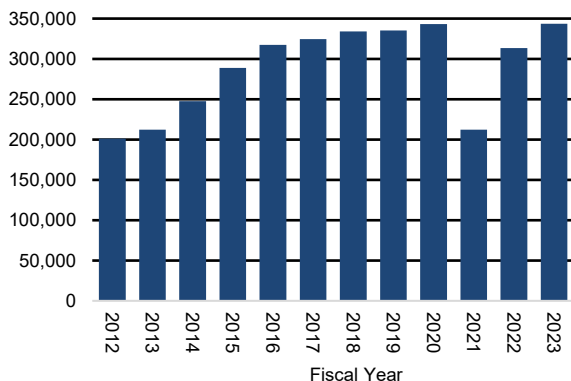
Conclusion

The City has seen contract spending rise faster than the rest of its spending since 2010, a trend that continued more recently during the pandemic. For some agencies, spending growth corresponded with the rollout of new initiatives or a higher demand for services. The City should realistically budget funding for these programs in the out-years to ensure that anticipated demand is supported, and services can continue without interruption.

For other programs, costs have grown despite a decline in service volume. While some of the cost increases were due in part to service reform or enhancements, the City should undertake further study of procurement methods, negotiated contract terms and service outcomes to assess the reasonableness and impact of the higher spending. OSC has undertaken several audits in the recent past that suggest greater adherence to procurement methods could result in savings or improved service outcomes.

The City provides some data on performance indicators in the Mayor's Management Report,

FIGURE 9
Young People in DYCD-Funded Programs



Note: Does not include adults that participate in DYCD programs which was 80,000 in FY 2023.

Source: NYC Mayor's Management Report, Fiscal years 2012 to 2023

and OSC has utilized this data to line up performance indicators with staffing and spending in its [Agency Service Monitoring Tool](#). However, OSC encourages the City to provide greater detail to the public on services delivered via contracts for all agencies, including how the provider is paid (by performance or cost reimbursement), blended per diem rates by program area, and monthly service units delivered. OSC also recommends that the City consider publishing program evaluations of contracts that have received new investments, specifically for service enhancement or reform. Performance tracking of this type can help identify where the City can refine contracts and provide support to vendors for enhanced service delivery. These transparency measures can provide the public with a better understanding of the rationale for the City's choices and encourage dialogue on the most cost-effective means of delivering quality services.

Growth in contract spending also necessitates that City agencies are sufficiently staffed and trained to negotiate contracts, process payments, and provide programmatic oversight to ensure service quality and contract compliance. OSC has published [audit reports](#) that cite examples of contract oversight issues and provide recommendations for improvements. Providers must also be paid punctually to allow for continuity of services. Continuous improvement in these areas will allow the public to enjoy more reliable services in a manner that remains cost-effective for the City.

Appendix A

Contract Spending by Agency and Unit of Appropriation
Excludes Expenses for COVID-19 and Asylum Seekers
(in millions)

Unit of Appropriation	FY 2010	FY 2014	FY 2019	FY 2023	CAGR, FY 2010 to FY 2019	CAGR, FY 2019 to FY 2023
Health & Mental Hygiene						
Mental Health	159.3	192.4	231.8	358.4	4.3	11.5
Early Intervention	508.4	224.9	281.7	277.8	-6.3	-0.3
Disease Control	163.3	158.7	163.6	223.7	0.0	8.1
Alcohol & Drug Use	43.7	59.9	90.5	112.4	8.4	5.6
Family & Child Health	34.0	18.7	33.9	47.6	0.0	8.9
Mental Hygiene Mgt.	11.2	2.2	23.2	42.7	8.4	16.5
Center for Health Equity	114.5	123.3	12.9	38.8	-21.6	31.7
Environmental Health	12.4	18.8	25.9	28.9	8.6	2.7
All Other	11.2	18.6	23.7	26.9	8.7	3.1
Tot. Health & Mental Hyg.	\$1,057.9	\$817.5	\$887.2	\$1,157.2	-1.9%	6.9%
Social Services						
Public Assistance	178.7	187.3	311.1	301.2	6.4	-0.8
Adult Services	167.0	176.4	236.8	265.9	4.0	2.9
Legal Services	---	---	152.7	208.7	---	8.1
Administration	92.3	91.0	133.9	154.2	4.2	3.6
Medical Assistance	293.3	38.9	47.7	68.5	-18.3	9.5
All Other	---	---	---	18.1	---	---
Total Social Services	\$731.2	\$493.5	\$882.2	\$1,016.7	2.1%	3.6%
Crim. Just. & Indigent Def.						
Criminal Justice Contracts	46.0	59.6	166.6	538.9	15.4	34.1
Indigent Defense Services	134.7	181.1	259.7	430.8	7.6	13.5
Tot. Crim. Just. & Ind. Def.	\$180.7	\$240.7	\$426.3	\$969.7	10.0%	22.8%
Youth & Comm. Dev.						
DYCD OTPS	249.9	275.9	601.2	679.0	10.2	3.1
Community Development	56.4	49.9	74.2	139.3	3.1	17.0
Youth Workforce Career Train.	---	---	---	71.1	---	---
Total Youth & Comm. Dev.	\$306.3	\$325.8	\$675.4	\$889.4	9.2%	7.1%

Note: Totals may not add due to rounding.

Sources: NYC Office of Management and Budget; OSC analysis

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