What Is the Impact of the Minimum Wage Increase on Nonprofits?

New York’s $15 minimum wage is a testament to the State as an economic leader for the country, but the State must meet its obligation to fund the minimum wage for workers it pays through contracts with human services contracts. Human services providers proudly supported the State minimum wage increase as a means to a strong workforce and economic growth, but an unfunded wage has dire economic impact on organizations across the State. While the State provided $15 million to adjust government human services contracts to account for the wage increase in last year’s budget, it was only a first step. Without funding the minimum wage in subsequent years, nonprofits are forced to subsidize the government, stretching their already limited funds to an untenable degree.

What are the consequences of Inaction?

When government contracts fail to increase funding to reflect the adjusted minimum wage, nonprofits are forced to make cuts to fill a widening budget gap, including restricting services, increasing caseloads, laying off staff, or shutting down programs entirely.

What Can the State Do?

The systemic underfunding of government contracts has resulted in a financially starved human services sector; 18 percent of New York human services nonprofits are financially insolvent, and operating costs will only continue to rise. A financially healthy human services sector is an integral part of New York’s economic engine. The State needs to uphold its responsibility to human services nonprofits and the New Yorkers they serve by adjusting contracts to fund the minimum wage increase into the coming years. $25 million in the FY20 Budget will help ensure Strong Nonprofits for a Better New York.