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New York

The Arc New York FY26 Budget Testimony

Joint Legislative Hearing of Senate Finance and Assembly
Ways and Means Committees on FY26 State Budget

February 5, 2025



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Introduction

Senate Finance Chair Krueger, Assembly Ways and Means Chair Pretlow, Senate Disabilities Committee Chair Fahy, Assembly People with Disabilities Chair Santabarbara, and members of the Senate and Assembly, thank you for the opportunity to provide feedback on the proposed Executive Budget and its impact on our field and the people we support.

The Arc New York is a family-led organization, with a 75-year history working toward our mission to “provide people with intellectual, developmental, and other disabilities the ordinary and extraordinary opportunities of life.” Our organization is the largest provider of supports and services for New Yorkers with intellectual and developmental disabilities (I/DD) in the state. With 35 operating Chapters across New York state, The Arc New York supports more than 60,000 individuals and families in every county of the state, and employs more than 30,000 people statewide.

The parents who created our organization were among the earliest advocates for quality services and opportunities for people with I/DD. In the 75 years since our founding, we have witnessed – and at many times driven – massive transformation and progress in our field. Over those seven decades, New York has developed a robust system of comprehensive individualized services and programs that aid independence, support families, and emphasize inclusion in communities.

We have long advocated for recognition of our essential frontline staff, sustainable investment, and common-sense policy. For over a decade, that call had consistently gone largely unheard. Governor Hochul has put forth new

investments every year under her tenure, which have demonstrated a renewed recognition of the needs of New Yorkers with I/DD. While these investments are a start, significant needs remain to right our system after years of neglect.

Costs have nearly doubled over the past 20 years, and, despite recent investments, overall investment in our service system still lags behind inflation by nearly 20%. Providers remain unable to cover rising costs and appropriately adjust wages to account for inflation.

Simply put, New York allowed the essential supports for her most vulnerable citizens to slip into crisis. While progress has been made, our system is not yet stabilized. Dire need remains to address our remaining challenges in a meaningful way.

All New Yorkers are acutely aware of inflationary pressures, and nonprofit providers of supports and services for people with I/DD are not immune to these external factors. Costs have increased dramatically across the board, including insurance, repairs and maintenance, household and medical supplies, utilities for group homes and program facilities, and, of course, food. People need a place to live and people need to eat. Providing these basic necessities without appropriate funding to meet rising costs draws resources from other facets of comprehensive care. We need to proactively invest in the future of I/DD supports and services and not merely tread water.

Systemic underfunding has eroded New York's system of supports for our citizens with I/DD, and driven us into a perpetual staffing crisis that threatens the safety, opportunity, and future of people with disabilities. A recent survey conducted by New York Disability Advocates (NYDA) shows nonprofit provider agencies across the state are facing a 16.9% staff vacancy rate and an annual turnover rate of 35.4% among Direct Support Professionals (DSPs), who serve as the cornerstone of the I/DD service delivery system. One in six essential care positions is vacant across the state, and more than one third of DSPs leave their job each year. It is impossible to maintain access to supports and continuity of care under these circumstances.

This workforce emergency must be fully addressed with urgency. Our system remains at risk.

New York has a legal and ethical obligation to provide essential services, quality care and integration for its citizens with I/DD. Our shared responsibility to the people we support is nonnegotiable. We have made progress, but we remain woefully behind what is needed to ensure that we can fully meet the needs of New Yorkers with disabilities.

Budget Recommendations to Support the I/DD System

Investment in I/DD services through a 7.8% Medicaid rate increase

We would be remiss if we did not acknowledge the \$850 million (All-Funds) investment included within the Executive Budget to satisfy federally mandated rate-rebasing going back to July 1, 2024. We commend the Governor and OPWDD for making this investment. These resources are desperately needed, and this investment makes progress in some areas of our system. However, these rate adjustments do not apply to all programs, and merely rebalance rates to bring them closer to actual costs for some services. Other crucial programs, like family respite and community habilitation, did not receive increases from rate rebasing, leaving families supported by these programs struggling to access the services that allow them to remain in the workforce and have lives beyond caregiving.

We appreciate the Governor's proposed 2.1% Targeted Inflationary Increase (TII) as a step in the right direction. However, we urge the Legislature to increase this to 7.8% to reflect the true cost of inflation over the past three years for our full system of care.

Medicaid rates are all-inclusive. The 7.8% increase would fund all facets of the comprehensive system of supports for people with I/DD, including:

- Wages & mandated fringe benefits
- Food & transportation
- Maintenance & utilities for programs & homes
- Medical supplies and nursing care
- Insurance (commercial, property, liability)

- Professional development & technology
- Compliance, legal, accounting & audit
- Licensing, accreditation, security & more

Continued investment is the only way to end the cycle of underfunding and neglect. With an unexpected \$5.3 billion revenue surplus, surely appropriating funds to stabilize the I/DD system is possible. The total state share cost of the full 7.8% is approximately \$235 million, a mere 4% of the state's surplus. This request is derived from the gap between inflation and investments made in the service system by the governor and legislature over the past three years. This calculation is based on the difference between the CPI-U and investments in the FY24 and FY25 budgets and the 2024 July CPI-U for FY26: $(4.5\%) + (0.4\%) + (2.9\%) = (7.8\%)$.

Creation of a Wage Commission to examine the roles and responsibilities of human service workers and establish fair, sustainable compensation standards commensurate with that work

Current wages for direct care staff do not reflect the skill and responsibility of their roles. DSPs are trained professionals, responsible for the care and support of individuals with intellectual and developmental disabilities. They attend to the comprehensive social, emotional, physical and psychological needs of people they support.

The varied roles of DSPs involve many types of routine and emergency supports, including: first aid & CPR, medication administration, meal preparation & feeding, personal hygiene, transportation, communication, behavioral de-escalation, money management, work & life skill development, and more.

These skilled roles used to be compensated at nearly twice minimum wage, but years of underfunding drove wage stagnation, and today the average starting wage for a DSP is only 10% above minimum wage, and comparable to starting wages offered in retail and food service industries.

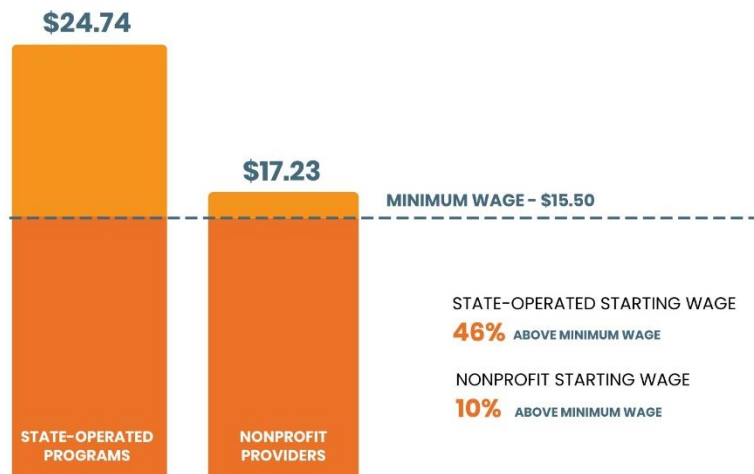
Providers are struggling with severe staffing shortages and high turnover rates, which make it difficult to operate effectively and meet the needs of people we support.

Wage parity continues to compound our recruitment and retention challenges for staff across all levels.

New York state provides supports and services to 140,000 people with I/DD. Nonprofit providers like The Arc New York deliver 85% of these services. The other 15% of people are supported in state-operated programs. Nonprofit and state-operated providers are all funded through Medicaid and overseen by OPWDD.

All these programs are comparable. All are funded by the state, but they are not being funded equitably.

As of January 2025, the average starting wage for Direct Support Professionals (DSPs) employed by nonprofits is \$17.23 per hour statewide. In contrast, DSPs employed by the Office for People with Developmental Disabilities (OPWDD) start at approximately \$25 per hour outside New York City and \$27 per hour in New York City. This disparity is astounding and demoralizing to our hard-working frontline staff, the majority of whom are women and people of color.



New York has provided two significant wage increases for state-operated direct care workers over the past several years, including a 13% increase in calendar year 2022, \$4,000-\$6,000 proposed increases in 2023, and an additional \$50M in 2024. The state invested in frontline staff at OPWDD-operated facilities, but did not show similar commitment to the nonprofit workforce.

Today, DSPs at nonprofit providers make 35% less than their peers employed at state-operated residences and programs. This is not equal pay for equal work. And it is not an equitable investment in the New Yorkers with disabilities supported in different branches of the same system. It destabilizes our entire field, and places the people we support at risk.

Inadequate wages are eroding the quality and sustainability of essential services. One in three DSPs leave the field every year, from a role where continuity of care is essential¹. Turnover costs for nonprofit providers have risen to more than \$100 million annually—\$100 million that would be better invested in keeping staff, rather than losing them.

It is difficult enough to compete with for-profit national conglomerates, who offer better wages and less responsibility, and who can raise prices to support higher wages, but now the voluntary sector must compete with the state-run operations in our own field, where wages start at \$24.74 per hour on average, compared to \$17.23 at nonprofit providers.

In 2023, NYDA partnered with Miami University to conduct a groundbreaking workforce study, surveying nearly 4,500 DSPs across the state on quality-of-life issues, including food and housing security, well-being, burnout, and turnover. The findings were alarming:²

- Nearly half of DSPs reported experiencing food insecurity and unstable housing conditions.
- While 85% of DSPs expressed satisfaction with their work, only 25% were satisfied with their pay, revealing a significant "Satisfaction Gap" that drives high turnover and deters new workers from entering the field.
- 36% of DSPs reported struggling to meet their household's financial demands.
- 50% of DSPs lacked reliable access to affordable, nutritious food.

The DSP workforce is diverse, comprising 74.2% women and 62.6% individuals identifying as Black, African American, Asian, or Latino. This diversity enriches the field and underscores the importance of fostering an inclusive and culturally responsive environment for individuals with I/DD. But inadequate wages for this essential workforce only reinforce inequity for long-marginalized communities.

¹ According to the most recent NYDA provider survey (January 2025), turnover statewide is above 35% (up from 31% in July 2024).

² https://jecohen.wordpress.com/wp-content/uploads/2024/04/nyda_directreportprofessionalsreport_final.pdf

We need to study why DSP working in nonprofit settings are inequitably paid by creating a Wage Commission to examine the roles and responsibilities of human service workers and establish fair, sustainable compensation standards commensurate with that work.

Move the responsibility and authority for rate setting back to OPWDD to ensure appropriate and timely funding

Although we did receive additional funding for residential, prevocational and day programs through rate rebasing in 2024, it took six months to get the adjusted rates approved through DOH, and they have yet to be applied as of the date of this hearing. Delays in establishing and adjusting rates have caused severe cash flow challenges for providers, disrupting essential services and exacerbating staffing shortages. Restoring rate-setting authority to OPWDD would help streamline the process by placing responsibility back with the agency that has the most expertise in I/DD services.

OPWDD's deep understanding of the unique requirements and costs associated with serving individuals with I/DD makes it far better equipped to adjust rates quickly and responsively. Restoring this authority would reduce administrative burdens, improve accountability, and create a more stable financial environment for nonprofits, enabling them to continue delivering high-quality care without the financial uncertainty that undermines their operations.

The lack of timeliness with rates is completely unacceptable, so we call on the legislature to return rate-setting responsibilities back to OPWDD from the Department of Health (DOH).

Enhanced Capital Funding to help agencies modernize their operations, making them more energy-efficient and aligned with the state's climate goals

Many nonprofit provider agencies operate with outdated resources that do not meet New York's ambitious climate goals. These agencies manage a significant portfolio of aging properties, many of which require substantial maintenance and upgrades. As facilities age, costs associated with maintaining safe, efficient, and compliant environments increase. To align with the Climate Leadership and

Community Protection Act (CLCPA) goals, the state must invest in helping providers update facilities, install renewable energy systems, and adopt energy-efficient technologies. We can play a key role with these initiatives, but we need access to capital funding to make that happen.

Supporting Special Education

Students and children with I/DD must be educated with free and appropriate supports and services in the least restrictive environment, which address their individual needs. However, these educational institutions have historically been inequitably underfunded. Due to this systemic underfunding, teacher salaries at 853 and 4410 schools are not comparable with public school opportunities, resulting in significant challenges retaining these essential educators.

We are encouraged that the Executive Budget provides a total of \$1.1 billion, an increase of \$57 million, to fund Preschool Special Education Programs (referred to as 4410 schools) and a total of \$413 million, an increase of \$9 million, to fund summer programs for students with disabilities.

Vital investments in 853 and 4410 schools have been made in recent budgets. Combined, FY22 through FY25 provided a 26% trend factor and allowed a certain portion of these rate increases to be retained over time. While FY25 provided less new funding, it retained certain flexibilities. We are cautiously optimistic that SED and DOB will continue to adjust rates and methodologies that support 853 and 4410 schools.

Article VII & Appropriation Recommendations

Below are select portions of the Executive Budget, which The Arc New York enthusiastically supports. We request these proposals be included in the Enacted Budget.

\$75M Investment in The Institute of Basic Research

The proposed Executive Budget includes a five-year capital investment of \$75M to renovate and modernize the Institute of Basic Research in Developmental Disabilities (IBR). Located at the College of Staten Island, on the former Willowbrook State School Campus, IBR studies the causes of developmental disabilities, conducts research and offers services to help people with developmental disabilities and their families. The

proposed investment includes the development of a Genomics Core facility to allow for the customized identification of genetic causes underlying an individual's developmental disability and creation of space for a Willowbrook learning center.

\$25M for Regional Disability Clinics

The Executive Budget includes \$25 million in capital funding to support the development of Regional Disability Clinics. Funds would support one-time costs for building modifications and equipment designed to increase accessibility and improve quality of healthcare for people with developmental disabilities who access services in Article 16 and Article 28 clinics.

\$53 for Minimum Wage Increases

The proposed budget includes \$53 Million for OPWDD and the Offices of Mental Health (OMH) and Office of Addiction Services and Supports (OASAS) to meet the new minimum wage requirements, preventing the minimum wage increase from becoming an unfunded mandate for providers.

Health & Mental Hygiene

Part K – Updates to Temporary Operator Statute

Purpose: This bill would amend the Temporary Operator statute which authorizes the Commissioner of Health to place a Temporary Operator in a hospital or adult care facility in certain circumstances, including serious financial instability or conditions that endanger the life, health or safety of patients or residents.

Part W – Nurse Licensure Compacts

Purpose: This bill would amend the Education Law to allow New York State to enter into an interstate licensure compact for medical professionals, the Interstate Medical Nurse Licensure Compact for registered nurses (RNs) and licensed practical nurses (LPNs). This initiative will promote greater mobility within these professions, helping to attract and retain skilled workers, especially in light of the ongoing staffing challenges facing the healthcare industry. The Arc New York strongly supports this bill.

Part X – Advance Access to Dental Care

Purpose: This bill would expand the scope of practice for dental hygienists and establish the practice of collaborative practice dental hygiene and enable dental

hygienists to handle additional procedures currently within the exclusive scope of dentists.

Part Y – Hospital at Home

Purpose: This bill would build upon the “Acute Hospital Care At Home” demonstration program from the federal Centers for Medicare and Medicaid Services (CMS) during the COVID-19 public health emergency by authorizing general hospitals to provide care in patients’ homes without obtaining a license as a home care agency. Participating hospitals would be required to submit operating cost data to the Department of Health annually.

Part Z – Make the Preferred Source Program Permanent

Purpose: This bill would make permanent the amendments to the State's Preferred Source Program that would otherwise expire during 2025. The State's Preferred Source Program was established by §162 of State Finance Law to allow selected providers to be exempted from competitive procurement procedures. Amendments made in 2022 required that preferred sources perform at least 50 percent of the work on purchases made through this program and increased the OGS Commissioner review threshold to \$100,000. These modifications helped promote integrated employment for individuals with disabilities.

The Arc New York has extensively advocated for initial amendments and to make this act permanent. We strongly support this common-sense legislation.

Part BB – Make permanent the authority for Office of Mental Health and the Office for People With Developmental Disabilities to appoint temporary operators

Purpose: This bill would allow the Office of Mental Health (OMH) and the Office for People With Developmental Disabilities (OPWDD) the permanent authority to appoint temporary operators.

Part FF – Targeted Inflationary Increase

Purpose: This bill would provide a 2.1 percent Targeted Inflationary Increase (TII) for eligible mental hygiene and other human services programs for the period April 1, 2025, to March 31, 2026. The TII will authorize additional financial support to assist not-for-profit providers with increasing costs. The 2.1 percent increase would cost the State a total of \$212 million across all applicable agencies.

Education, Labor and Family Assistance (ELFA)

Part R – Authorize the Pass-Through of any Federal Supplemental Security Income Cost of Living Adjustment

Purpose: This bill would authorize Federal Supplemental Security Income (SSI) benefits to be increased in 2025 to account for the SSI Cost of Living Adjustment (COLA), which stands around 2.5%, and allow those benefits to be further increased in 2026 if federal benefits are increased in the first half of the calendar year.

Public Protection & General Government

Part M – Protecting Individuals with Intellectual Disabilities against Trafficking

Purpose: This bill would add protections against trafficking for individuals with intellectual disabilities and amend the Penal Law to establish that a person is guilty of sex trafficking, a class B felony, if such person intentionally advances or profits from the prostitution of someone with an intellectual disability.

Revenue Bill

Part U – Expand the Credit for Employment of Persons with Disabilities

Purpose: This bill would increase the available tax credit for employers who employ persons with disabilities, by amending the Tax Law related to personal income tax and business franchise tax to increase the tax incentive to employers that employ persons with disabilities.

Under current law, the maximum credit per qualified employee is limited to \$2,100. This bill would increase the amount of the credit for taxable years beginning on or after January 1, 2025, to \$5,000 in qualified first-year wages earned by each qualified employee or, alternatively, where the federal work opportunity tax credit applies, \$5,000 in qualified second-year wages earned by each qualified employee.

Moving Forward

While we may face uncertainties in the coming years, we must be proactive in the steps we can take to provide reassurance and stability for New Yorkers with I/DD, their families and loved ones, and our dedicated staff. The system is only fully supported when they are all supported.

As policy makers, you have a responsibility to your constituents to leverage the power of government to ensure our systems have the necessary resources to complete the mission for which they were created. Your responsibility is most critical when it comes to populations who will be at the highest risk if these systems fail.

Over many years The Arc New York has consistently collaborated with the administration and legislators to develop solutions to problems we face. We mobilized to support each other and our communities. We innovated and evolved. We sought opportunity in every challenge, and today, we have hope that New York can seize the moment and continue the foundational support accomplished over the past three years.

Our most vulnerable citizens require the state to honor the fundamental values of our constitution, and our ethical obligation to social justice for all New Yorkers. The services we deliver are a cornerstone of that commitment. We will continue to collaborate with government to identify solutions, implement efficiencies, fight for equity for our workforce, and sustain quality care, integration, and opportunity for New Yorkers with I/DD. To meet that goal, we must be unified in vision. We ask for your partnership and commitment in achieving this goal by including all our recommendations in the FY26 Enacted Budget.

These are common sense and rational requests backed by real data. We call on you to seize this opportunity to continue rebuilding our system of care and fulfilling your commitment to New Yorkers with I/DD. We must move from a care crisis to a stable care system for people with intellectual and developmental disabilities. Thank you for the opportunity to address this important issue.