Joint Legislative Hearing on the Fiscal Year 2027 Executive Budget Proposal: Human Services

Submitted Testimony by Michelle Avila, Director of Public Policy at Children's Aid
Thursday, February 5, 2026

On behalf of Children's Aid, thank you for the opportunity to submit testimony about the Fiscal Year 2027 Executive Budget for Human Services.

For over 170 years, Children's Aid has been committed to ensuring that there are no boundaries to the aspirations of young people and no limits to their potential. By offering a comprehensive continuum of services throughout childhood, we prepare young people to succeed at every level of education and every milestone of life. Today, nearly 2,000 dedicated full- and part-time staff serve more than 36,000 children, youth, and families across over 40 sites in New York City. Through our early childhood centers, community schools, community hubs, and health clinics, Children's Aid creates trusted, neighborhood-based spaces where families can access the full range of supports they need.

In addition to direct service delivery, Children's Aid engages in policy and advocacy work at all levels of government. In New York City, one in four children grows up in poverty. Our policy priorities are shaped by proven strategies that support children and families, and by the persistent barriers our staff confront while serving these children every day. To this end, Children's Aid is a proud member and supporter of the policy agendas of statewide coalitions, including the Human Services Council, the Council of Family and Child Caring Agencies (COFCCA), the New York State Network for Youth Success, the Empire State Campaign for Child Care, and the Fostering Youth Success Alliance. Together, we are united in our mission to connect children with what they need to learn, grow, and lead successful, independent lives.

Amid deep uncertainty driven by federal policy shifts and unstable funding at both the state and city levels, we urge the Legislature to take bold action and prioritize meaningful investments in human services and community-based supports. Low-income and working-class families are being pushed to the brink, struggling to afford childcare, healthcare, and nutritious food. New York must pass a budget that strengthens—not shrinks—our social safety net and ensures every family and every community has the resources needed to thrive.

Summary of Fiscal Year 2027 Budget Recommendations

I. **Uplift the Human Services Sector:** Fund the Targeted Inflationary Increase at 2.7% (HMH, Part P); pass S.1580/A.2590 for COLA equity; pass A.718 for foster care rate stability; and support wage reform through S.3953/A.5589.
II. **Strengthen Child Welfare and Behavioral Health:** Pass A.9646 to establish an insurance risk pool with $20 million in bridge funding; support A.2726-A for Article 29-I expansion; and invest $200 million in the children's mental health continuum.

III. **Support Early Childhood and Education:** Establish a $1.2 billion Pay Equity Fund (S.5533/A.492); fully fund Child Care Assistance Program (CCAP) at $1.2 billion or more; and achieve universal Pre-K and 3-K with a $10,000 per-pupil rate.
IV. **Ensure Family Economic Stability:** Restore $30 million in SNAP-Ed funding to address federal cuts; raise the Child Tax Credit to $1,500 per child; create the Working Families Tax Credit (WFTC); and invest $180 million to expand LEAPS afterschool programming.

I. Uplifting the Human Services Sector

1. Fund the Targeted Inflationary Increase at 2.7% (HMH, Part P)

The nonprofit sector is a cornerstone of New York's social safety net, and its workforce is the human capital that makes social services possible. A January 2025 report from the New York State Comptroller found that nonprofit organizations employed 1.3 million New Yorkers in 2022—more than one in six private-sector workers. The report also documented a persistent wage gap: average nonprofit wages were nearly 24% lower than private-sector wages and almost 14% lower than public-sector wages.

For human service providers, the government is the primary funder and the main determinant of salary levels. Agencies directly set compensation through contracts or indirectly through unit-cost formulas and mandated staffing ratios.

At Children's Aid, our greatest asset is our skilled and dedicated staff. We are committed to supporting their growth, yet recruiting and retaining talent has become increasingly difficult as we compete with government and private-sector employers. We routinely lose strong candidates to employers offering salaries $15,000 to $30,000 higher than what our government contracts allow.

Staff turnover has direct consequences for children and families. Research shows that each time a foster care case manager changes, a child may remain in care for an additional six months to a year and a half as new staff are trained and assume responsibility.

In addition to wages, providers face rising operational costs, including health insurance, utilities, and facility maintenance. Applying the Targeted Inflation Index (TII) to the full value of state contracts—not just wages—provides flexibility to meet both staffing and programmatic needs.

While we appreciate the Governor's proposed 1.7% Targeted Inflationary Increase, this level falls short given current inflation and workforce inequities. We strongly urge the Legislature to increase the TII to a full 2.7% in the final budget.

Recommendations: We also call for equitable implementation of human services investments across all programs serving children and youth in New York, including:

- **S.1580 (Persaud) /A.2590 (Hevesi) or S3669 (Persaud)**, which would extend Cost of Living Adjustments (COLA) to programs historically excluded, including community-based prevention services and Health Homes care management for children.
- **A.718 (Hevesi)**, which ensures that the foster care rates continue to grow year over year as intended by the Legislature's investment. For the past several years, the Human Services COLA has been subtracted from the rate calculation for foster care programs in their state-set rates, the Maximum State Aid Rates (MSAR), before adding the new COLA (for instance, the 4% COLA of two years ago subtracted out, before the application of the 2.84% COLA from last year). This represents a loss of opportunity to build up rates that have already not kept up pace with inflation. A.718 addresses this unintentional gap and ensures that providers have the continued ability to meet inflationary cost pressures and to grow staff members' rates of pay.
- **S.3953 (Ramos)/ A. 5589 (Bronson)**, which would create a human services wage board that would investigate the pay gap between nonprofit and government human services workers and make recommendations for reform.

2. Indirect Cost Rates

A major challenge for the human services sector is the inadequate reimbursement of Indirect Cost Rate (ICR) funding, which organizations like ours are often forced to absorb in state contracts. Children's Aid currently manages 120 city, state, and federal contracts valued at more than $122 million. Among our 26 state contracts totaling $8.4 million, only 5 allow ICR at our federally negotiated rate of 15.5%. Seven allow a reduced rate, and the remaining 14 provide no ICR reimbursement at all.

This gap leaves us with a significant deficit in covering core operational functions—human resources, facilities, IT, and other infrastructure essential to running a strong and accountable organization.

State government offices could not operate without central functions such as a budget office, a contract services office, an administrative services department, or an information technology department. Yet, human services providers are expected to compromise on these vital central services.

Recommendation: We call on the state to allow human services providers to use their federally approved Indirect Cost Rates across all state contracts.

3. Strengthening the Prompt Contracting Law (S7001/A7616)

The 1991 Prompt Contracting Law (PCL) was enacted to shield New York's human services sector from fiscal stress by expediting the contract process and ensuring timely payments. The law's primary goal is to prevent service interruptions and financial hardships for nonprofits. However, systemic delays remain a crisis; a May 2025 Comptroller report revealed that 78% of state contracts in 2024 were processed late, meaning they were finalized after their intended start or renewal dates.[1]

These chronic delays impose significant financial and administrative burdens on human services organizations. Children's Aid currently has eight state contracts awaiting registration and another five with delayed payments totaling more than $400,000. This is especially disruptive for programs dependent on staffing, where we must make hiring and retention decisions without funding assurances or clear payment timelines. As a result, we are forced to front these costs, often waiting two to three fiscal years for reimbursement—an untenable strain on daily operations and the quality of programs we provide.

Administrative challenges compound these delays. Invoicing requirements vary widely across state agencies, and some agencies require extensive backup documentation with every invoice, creating unnecessary burdens. The Office of Children and Family Services (OCFS) relies on an outdated and user-unfriendly contract management system (CMS), which differs from the SFS platform used by other state agencies, adding further inefficiency. Providers also struggle to track legislative awards and navigate the process required to register legislative contracts, delaying the timely allocation of funds intended for community-based programming.

Across the sector, these persistent hurdles have forced many providers to rely on high-interest lines of credit or loans simply to stay afloat. In the most severe cases, organizations have been pushed to consider closing essential programs due to the instability created by state contracting failures. Without a reliable and timely payment structure, the continuity of New York's social safety net remains at constant risk.

Recommendation: We urge the Legislature to redraft and advance S.7001/A.7616. This legislation—passed unanimously last session before being vetoed—would clarify statutory language, expand the use of written directives, and require the state to pay interest on late payments. Strengthening the PCL is essential to ensuring accountability, restoring integrity to the contracting process, and safeguarding the financial stability of the services that New Yorkers rely on.

II. Strengthening Child Welfare and Behavioral Health

1. Address Challenges with Accessing General Liability Insurance for Voluntary Foster Care Agencies

The voluntary foster care sector is currently facing a critical inability to secure the various forms of mandated liability coverage, including general, professional, and umbrella policies, required to operate legally. This crisis is fueled by social inflation, characterized by higher jury awards and claims payouts tied to high-profile abuse cases, as well as rising cyber-risks and the growing influence of third-party litigation financing. Consequently, the commercial insurance market is

[1] Office of the State Comptroller, "Not-for Profit Prompt Contracting Annual Report – Calendar Year 2024," May 2025.

shrinking rapidly; for example, the Nonprofits Insurance Alliance (NIA), which historically insured most of the market, began non-renewing policies for foster family agencies nationwide in 2025. This exit leaves agencies like Children's Aid to face lower coverage limits at exponentially higher costs, even as counties continue to raise mandated insurance thresholds.

The current funding structure, the Maximum State Aid Rate (MSAR), is fundamentally ill-equipped to handle this volatility. Liability insurance costs for foster care agencies have risen by an average of 27% since 2023, yet MSAR reimbursement rates rely on data from two years prior, creating a persistent and unsustainable deficit. Because these real-time spikes are not reflected in current state parameters, providers are forced to absorb hundreds of thousands of dollars in actual expenses that are excluded from future rate calculations. Without a modified formula that captures insurance costs within the same fiscal year they occur, the financial stability of the entire sector is at risk.

The consequences of inaction extend far beyond organizational balance sheets; they threaten the very existence of New York's child welfare system. Nonprofit providers care for more than 75% of children in foster care statewide and 100% of children in New York City. If agencies are unable to obtain adequate insurance, they will be legally unable to continue providing services, shifting the massive administrative and fiscal responsibility for thousands of children directly onto counties. As these children are in the legal custody of the state, addressing this insurance market failure is a non-negotiable prerequisite for ensuring the safety and stability of the backbone of our foster care system.

Recommendations: We stand in firm solidarity with the Council for Family and Child Caring Agencies (COFCCA) and urge the Legislature to pass **A.9646 (Hevesi)**, which would:

- Establish an Insurance Risk Pool: Create a state-mandated assigned risk plan to ensure agencies can reliably access professional liability and sexual abuse coverage.
- Provide $20 Million in Bridge Funding: Following in California's footsteps, allocate direct state support to help agencies absorb immediate premium increases until long-term rate reforms are implemented.
- Modernize MSAR Calculations: Modify the MSAR formula to eliminate the two-year lag and capture rapidly rising liability costs in real-time.

2. Expansion of Article 29-I and Behavioral Health

Children's Aid operates as a comprehensive, community-based provider of medical, mental, and behavioral health services through a network that includes Article 28 health centers, Article 31 mental health satellite clinics, Article 29-I licensing at satellite sites, school-based health centers (SBHCs), and community-based Child and Family Treatment and Support Services (CFTSS). We also provide Health Home care management through our Health Connections program.

As a licensed Article 29-I provider, we deliver trauma-informed medical and behavioral healthcare tailored to the needs of children and youth in foster care. This work gives us a front-line view into the complex challenges facing families involved in the child welfare system, and the systemic barriers that prevent them from accessing timely, holistic support.

Under the current Medicaid State Plan, Article 29-I Health Facilities may bill only for services provided to children formally placed in foster care. This restriction creates a significant barrier to family stability. When our clinicians identify urgent medical or behavioral health needs among a child's parents or siblings, we are legally prohibited from enrolling them in care—even when those unmet needs directly affect the child's safety, permanency, or well-being. As a result, prevention programs must refer these family members to external community providers, where long waitlists and workforce shortages often delay care that could otherwise prevent a placement or shorten a child's length of stay in foster care.

This limitation stands in the way of what voluntary foster care agencies are uniquely positioned to do: provide collateral services to family members whose health and stability are essential to a child's success.

At the same time, New York's broader children's behavioral health system—including Article 31 clinics, Article 32 (822) programs, and CFTSS—is facing a severe sustainability crisis. The Healthy Minds Healthy Kids Campaign (HMHK) has documented that reimbursement rates for these outpatient services fall far below the actual cost of care, making it impossible to maintain a stable workforce or address the growing waitlists across the state. Without a significant state investment to bridge this funding gap, providers will remain unable to meet the rising mental health needs of New York's children, leaving many families in crisis without the professional intervention they require.

Recommendations: To strengthen family well-being and ensure a sustainable behavioral health infrastructure, we urge the state to:

- Pass **A.2726-A (Paulin)**: Expand Article 29-I authority to allow Voluntary Foster Care Agencies (VFCAs) to serve parents, caregivers, and siblings connected to the child welfare system.
- Invest $200 Million in the Behavioral Health Continuum: Strengthen reimbursement rates and implement reforms across Article 31, Article 32, CFTSS, and Home and Community Based Services (HCBS) programs to improve access, quality, and long-term outcomes for families.

III. Early Childhood Education and Childcare

Children's Aid's Early Childhood Division serves nearly 900 of New York's youngest learners across nine sites in Harlem, Washington Heights, the South Bronx, and Staten Island. By offering a range of modalities—including standalone centers, programs embedded in community schools, and home-based providers—we ensure families can access care in the setting that best suits their needs. In a city where over 80% of families with children under five cannot afford childcare, these programs are a vital economic and developmental lifeline. Last year, 93% of our students met or exceeded math readiness goals, and 90% reached key social-emotional milestones, underscoring the transformative power of quality early intervention.

However, this successful educational ecosystem is at a breaking point due to a workforce that remains systemically underpaid. The average early childcare worker in New York earns just $38,000 annually, making it one of the lowest-paid professions in the state. Analysis from the Center for New York City Affairs highlights a stark disparity: center-based workers earn an average of $13.85 per hour—less than half the $31.25 hourly rate of a NYC Public School Pre-K teacher, despite holding similar credentials. This profound pay gap has fueled an exodus of workers, causing systemic instability and threatening the supply of care for infants and toddlers.

While we strongly support the Governor's proposal to invest $1.7 billion in childcare—including $1.2 billion for the Childcare Assistance Program (CCAP)—New York cannot achieve its goal of universal childcare without addressing the workforce crisis. Funding for 200,000 additional safe, quality slots is only effective if there are qualified professionals to staff them. To truly stabilize the sector, the state must transition from temporary measures to a permanent, credential-tied pay scale that reflects the essential nature of early childhood education.

Recommendations: To ensure New York families can access affordable, high-quality care, we join the Empire State Campaign for Child Care in urging the Legislature to strengthen and adopt the following:

- Establish a Permanent Pay Equity Fund ($1.2B): Support **S.5533 (Brisport) / A.492 (Hevesi)** to provide ongoing compensation supplements for all childcare workers. This fund should remain in place until reimbursement rates support thriving wages, and a multi-year minimum pay scale tied to credentials is fully implemented.
- Fully Fund CCAP to Meet Demand (At least $1.2B): Provide funding beyond the Executive proposal to ensure no eligible family is waitlisted. This includes approximately $1.2 billion for New York City caseload stability and $500 million for growing demand in other counties.
- Approve Universal Community Childcare Models ($60M): Adopt the Governor's proposal to fund universal models in three communities, structured with minimal enrollment barriers to mirror the Pre-K model.
- Expand Pre-K and 3-K (~$500M): Adopt the proposal for universal Pre-K for four-year-olds and support NYC's path to universal 3-K. Funding should be set at a uniform statewide grant of at least $10,000 per pupil and must fully integrate community- and home-based providers to avoid destabilizing the infant care supply.

IV. Family Economic Stability and Essential Supports

1. Fund SNAP-Ed New York at $30 million

For three decades, SNAP-Ed New York has built a statewide network of trusted community partners dedicated to making healthy choices easier for New Yorkers. SNAP-Ed strengthens the impact of SNAP by helping families stretch their food dollars and make informed decisions about what they eat. Through community-based providers and State agencies, SNAP-Ed gives New Yorkers of all ages practical nutrition education and access points to fresh, affordable food that fits real budgets and real lives.

H.R.1 eliminated federal funding for SNAP-Ed, but the need–and the impact–remain. Given that SNAP-Ed programming was solely funded through federal appropriations, New York is losing more than 200+ nutrition educators working in all 62 counties. Without committed funding in State Fiscal Year 2027, the State will lose infrastructure and relationships built over decades. In Federal Fiscal Year 2025, SNAP-Ed New York partnered with over 1,550 community partners and reached more than 1.845 million participants and their families throughout the State. From these partnerships, SNAP-Ed programming was able to deliver 35,706 nutrition workshops at over 900 community sites. Participants also reported significant life changes, including 57% who improved fruit and vegetable intake, 57% who increased physical activity, and 58% who engaged in more price comparisons while food shopping.[2] Overall, household food security improved by 25% after participating in SNAP-Ed programming.

Additionally, every $1 invested in the program saves up to $9.54 in future healthcare costs.[3] As the State faces tough decisions about how to allocate resources, it must also prepare for the cascading effects of proposed reductions to SNAP benefits and anticipated cuts to Medicaid eligibility. These changes will increase demand for State and community-based services, driving more families into food insecurity and limiting their access to essential healthcare. SNAP-Ed is one of the most effective tools the State has—providing families with the nutrition education, skills, and support needed to stretch limited food dollars and maintain healthy diets even as federal benefits decline.

SNAP-Ed also supports New York's agricultural economy by encouraging households to spend their grocery dollars on food grown and produced in the State. Through partnerships across education, healthcare, food retail, emergency food providers, agriculture, and community institutions, SNAP-Ed reaches New Yorkers where they live, learn, eat, work, and play.

At Children's Aid, SNAP-Ed supports fresh food box and nutrition education initiatives in neighborhoods like the South Bronx, Harlem, Washington Heights, and the north shore of Staten Island that have limited or no access to fresh produce or farmers markets. SNAP-Ed

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[2] USDA's Supplemental Nutrition Assistance Program (SNAP). Available at: SNAP-Ed-NY-FFY25-Impact-Report.pdf

[3] University of Illinois Extension. (2023, June 13). Available at: Creating healthier Illinoisans: SNAP-Ed generates up to $135 million in future benefits |Serving Calhoun, Cass, Greene, Morgan and Scott Counties | Illinois Extension | UIUC

provides the infrastructure for organizations like Children's Aid to offer steep discounts on locally grown fruits and vegetables and to deliver skills-based workshops led by qualified nutritionists for youth and families. Distributions are held at schools and after-school programs, allowing families to pick up both their children and fresh produce simultaneously. Unfortunately, without further State investments, this program would **completely cease operations by September 2026.**

Recommendation: To ensure the continuity of this proven and essential program, we urge the Legislature to prioritize a **$30 million investment** to sustain nutrition services that help families stretch their SNAP benefits, improve health outcomes, and build long-term food security. This funding level will fully support 17 community-based organizations and 3 State agencies responsible for delivering SNAP-Ed programming across New York State.

2. Ending Child Poverty

Child poverty has long-lasting, detrimental effects on children's health, education, and overall well-being, perpetuating cycles of disadvantage and inequality. Addressing this issue requires immediate, comprehensive action to ensure that every child can thrive. Thoughtful tax policy remains one of the most effective levers for poverty reduction, and we commend the permanent elimination of the minimum income requirement and phase-in, a structural shift that finally allows New York's lowest-income families to access the full credit.

Despite this historic progress, the 2026-27 State Budget must meet the actual scale of the ongoing crisis. While the Empire State Child Credit (ESCC) has increased to $1,000 for children under age four and $500 for those aged four to sixteen, these amounts are still insufficient to truly stabilize a struggling household. To prevent families from being pushed to the brink, New York must seize its current momentum and expand these credits to reflect the actual cost of raising a child.

Strengthening the child tax credit is a proven strategy that would reduce child poverty by more than 23% nationwide, according to the Child Poverty Reduction Advisory Council (CPRAC). This intervention is particularly critical in New York, where child poverty rates are persistently higher than the national average. Prioritizing these policies is essential for ensuring every family has a pathway to economic security, especially within BIPOC communities where the burden of poverty falls most heavily.

Recommendations: We join the New York Can End Child Poverty coalition in urging the Legislature to:

- Raise the Maximum Credit: Increase the credit to $1,500 for all children, regardless of age.

- Create the Working Families Tax Credit (WFTC): Streamline the ESCC and the state Earned Income Tax Credit (EITC) into a single, more generous, and accessible monthly or quarterly payment.
- Ensure Full Inclusion for ITIN Filers: Guarantee that no child is excluded from support based on their parents' immigration status.

3. Afterschool (LEAPS) Expansion

We know that regular attendance at a high-quality afterschool program over several years can close the achievement gaps for low-income students. Children's Aid currently operates 17 afterschool programs, serving over 3,100 youth across our five community centers and most of our 19 community schools. These programs provide safe, structured, and enriching environments that complement the school day while supporting learning and personal development.

Afterschool programs are a critical lifeline for New York families. They foster peer interaction, social skills, confidence, responsible decision-making, and workforce readiness. Research consistently shows that students who participate regularly in quality afterschool programs demonstrate higher standardized test scores, stronger school engagement, and better long-term outcomes.

In recent years, New York State has made important investments in afterschool through initiatives such as the Learning and Enrichment After-School Program Supports (LEAPS). LEAPS has expanded opportunities for high-quality programming; however, significant gaps remain. Last year, only about one-third of eligible applicants received LEAPS funding, leaving thousands of students without access to these critical services. Additionally, LEAPS funding largely excludes students aged 13 and older, relying instead on a small pilot program (BOOST) that cannot meet the needs of middle and high school students and is limited in New York City.

Increasing investments in LEAPS will expand access to quality programs for tens of thousands of New York City children and adolescents, reduce learning loss, strengthen social-emotional skills, and support working families—ensuring that afterschool programs fulfill their promise as an essential part of the education and support ecosystem.

Recommendations: To ensure all students have access to high-quality afterschool programming, we join the New York State Network for Youth Success in urging the Legislature to:

- Expand LEAPS Funding by $180 Million: Allocate $155 million to fund high-quality applicants previously deemed "eligible but not funded" and $25 million specifically to expand access for middle and high school students.

- Maximize Existing Resources: Implement a mechanism to redistribute any unspent or underutilized LEAPS dollars from completed budget modifications to programs that are currently unfunded or to expand capacity for older youth.

Closing

At a time of mounting economic pressure, workforce instability, and uncertainty in federal funding, New York cannot afford to retreat from its commitment to children and families. The recommendations outlined in this testimony reflect what providers see every day: that stable funding, a supported workforce, and responsive systems are essential to protecting children, strengthening families, and sustaining the community-based organizations New Yorkers rely on.

Children's Aid urges the Legislature to advance a budget that meaningfully invests in human services, child welfare, behavioral health, early childhood education, and family economic stability. These investments are not isolated line items—they are interconnected strategies that, together, ensure children are safe, families are supported, and communities can thrive. Failing to act will have real and immediate consequences for children across the state.

Children's Aid sincerely thanks the Legislature for its continued partnership and commitment to New York's youth and families. We welcome the opportunity to serve as a resource as budget negotiations move forward. Please feel free to contact Michelle Avila, Director of Public Policy, at mavila@childrensaidnyc.org with any questions regarding this testimony.