



Joint Legislative Hearing on the Fiscal Year 2027 Executive Budget Proposal: Health/Medicaid
Submitted Testimony by Michelle Avila, Director of Public Policy at Children's Aid
Tuesday, February 10, 2026

On behalf of Children's Aid, thank you for the opportunity to submit testimony regarding the Fiscal Year 2027 Executive Budget: Health/Medicaid.

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 nearly 40,000 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 experiences 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 New York School-Based Health Alliance (NYSBHA), Citizens' Committee for Children (CCC), the Healthy Minds, Healthy Kids Campaign, the InUnity Alliance, and the Schuyler Center. 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 health and Medicaid supports. Low-income and working-class families are being pushed to the brink, struggling to afford childcare, health care, 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. **Impacts of H.R. 1 on Children and Families:** Mitigate the disruption of health care coverage for low-income enrollees and lawfully present immigrants and restore \$30 million in SNAP-Ed funding to address federal cuts.
- II. **Support School-Based Health Centers (SBHCs):** Support the permanent carve-out of SBHCs from Medicaid Managed Care (MMC) as provided for in S.8902/A.9577; maintain the \$24.057 million non-Medicaid grant funding for SBHCs; and support a \$3.8 million legislative add in the final 2026-27 State Budget.
- III. **Family Planning:** Commit to replacing lost Title X funds for comprehensive family planning services if federal funding is rescinded and sustain funding for comprehensive adolescent pregnancy prevention programs.
- IV. **Strengthening Behavioral Health:** Support A.2726-A for Article 29-I expansion and invest \$200 million in the children's mental health continuum.

- V. **Workforce:** 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.

I. Impacts of H.R. 1 on Children and Families

1. Disruption of Healthcare Coverage for Low-Income Enrollees and Lawfully Present Immigrants

H.R. 1 made sweeping changes that threaten New Yorkers' access to essential health care, including Medicaid and the Essential Plan. Beginning October 1, 2026, states will be barred from using or receiving federal Medicaid funds to cover certain lawfully present immigrants—among them refugees, asylees, and survivors of domestic violence and trafficking. This change will push tens of thousands of people off federally supported Medicaid and into State-only Medicaid.

Starting January 1, 2027, states will also be required to impose work requirements on certain Medicaid recipients. The Department of Health estimates that as many as 1.5 million New Yorkers could be affected, putting coverage at risk for individuals who already face significant barriers to care. Additionally, H.R. 1 requires that states conduct Medicaid renewals every six months, also beginning on January 1, 2027, which will force families into more frequent and burdensome re-enrollment cycles. This will inevitably lead to delays in care and increased administrative strain on providers and State agencies.

New York's Essential Plan has long been a national model for expanding coverage, reducing the uninsured rate, and ensuring that low-income participants, including many lawfully present immigrants, can access reliable and affordable health care. Since its launch, the Essential Plan has expanded income eligibility from 200 percent to 250 percent of the Federal Poverty Level, provided coverage to more than 1.7 million enrollees as of December 2025, and helped New York maintain one of the lowest uninsured rates in the country.

Unfortunately, provisions enacted in H.R. 1 will have severe consequences for New York. One-third of Essential Plan enrollees will lose eligibility; more than half of federal Essential Plan funding will be eliminated; and the State will no longer be able to maintain the Essential Plan under its current 1332 waiver authority.

These changes will disproportionately impact low-income participants and lawfully present immigrants, many of whom rely on the Essential Plan because they are excluded from Medicaid or face prolonged federal waiting periods to apply for it. These actions undermine the health and economic stability of low-income individuals and immigrant families across the state. Although the Governor has requested approval from the Centers for Medicare and Medicaid Services (CMS) to revert the Essential Plan to the Section 1331 Basic Health Program, 460,000 New Yorkers will remain uninsured even if CMS approves this change. This shift, while critical to protecting core coverage, still leaves hundreds of thousands of people without access to health care, including low-income individuals and immigrant families who will effectively be priced out of care.

Children's Aid remains concerned that children will inevitably bear the consequences when parents lose coverage. When a parent cannot afford treatment or medications, the resulting instability ripples



directly into children's lives. We see these dynamics all too clearly in our community centers, schools, and health clinics.

2. 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 reliable 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 the State budget for 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. SNAP-Ed partners delivered 35,706 nutrition workshops at more than 900 community sites. Participants reported meaningful changes in their daily habits. Fifty-seven percent increased their fruit and vegetable intake, 57 percent increased physical activity, and 58 percent compared prices more often while shopping. Overall, household food security improved by 25 percent after taking part in SNAP-Ed.

Every \$1 invested in the program saves up to \$9.54 in future health care costs. 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 health care. 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, health care, 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 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 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 three State agencies responsible for delivering SNAP-Ed programming across New York State.

II. Support School-Based Health Centers (SBHCs)

Children's Aid believes that one of the best and most effective ways to keep children healthy is by making high-quality physical, mental, and dental health care as accessible as possible, particularly during a time when families are at risk of losing coverage under recent federal changes. For many children, that means building health care services into their schools because it is the environment where they spend most of their time. School-Based Health Centers (SBHCs) are a critical safety net, as they provide comprehensive and high-quality health care to all students, regardless of their insurance status or lack thereof, and ensure that kids miss as little class time as possible if they need care. They also reduce the burden on working parents, who know their children can receive high-quality health care without having to take time off from work.

Children's Aid operates six SBHCs that provide a comprehensive array of medical, dental, and behavioral health services. Our SBHCs are all located in low-income neighborhoods where access to health care can be an ever-present roadblock for families. In Fiscal Year 2025, our SBHCs treated 3,817 patients and facilitated a total of 20,911 visits, including 14,439 medical visits, 2,886 behavioral health visits, and 1,977 dental visits. Of those 14,439 medical visits, 5,575 were first aid care visits. Additionally, our SBHCs provided 2,322 reproductive health medical visits to 1,064 patients and administered 2,539 vaccines to 814 students, helping keep children healthy and in school.

Sustainable funding for SBHCs must be prioritized, and the State must remediate the painful deficits SBHCs have incurred as a result of cuts in previous budget cycles. Non-Medicaid grant funding for the State's 252 SBHCs, which deliver core primary, preventive, mental, and dental health care services to over 250,000 children, has been reduced by over 25% (\$5.8 million) since 2013. Further Medicaid cuts to SBHCs are unsustainable, and we ask you to hold SBHCs unaffected by any Medicaid cuts in the 2026-27 State Budget.

The combined impact of these cuts has been a reduction in access to services for underserved youth. Many of the children and adolescents we serve navigate significant emotional and physical pressures. They live in communities experiencing high rates of substance use, violence, adolescent pregnancy, and sexually transmitted infections. The COVID-19 pandemic intensified these challenges and deepened existing inequities. SBHCs use the non-Medicaid State grant funds to help cover the deficits incurred by their commitment—and requirement under [NYS guidelines](#)—to serve all children, including those who are immigrants and uninsured or underinsured. SBHCs are needed now more than ever as our youth continue to experience grief, isolation, and anxiety about the future.

Recommendations: As a member of the New York School-Based Health Alliance (NYSBHA), Children's Aid strongly urges the adoption of the following priorities:

- Support the Permanent Carve-Out of SBHCs into Medicaid Managed Care (MMC): The transition is currently scheduled to begin April 1, 2026, but SBHCs must remain fee-for-service to ensure their financial viability. Unlike other carve-ins implemented by the New York State Department of Health (NYSDOH), this carve-in has no fiscal savings associated with it. It will cost SBHCs and sponsors a significant amount to implement while jeopardizing access to care. The carve-in poses significant administrative challenges involving credentialing, contracting, billing, and claims processing for centers, creating instability from payment delays and denials. SBHCs must continue serving children and adolescents with Medicaid on a fee-for-service basis permanently, as provided for in **S.8902 (Rivera)/A.9577 (Paulin)**.
- Maintain the \$24.057 million non-Medicaid grant funding for SBHCs: This funding directly supports daily operations, including critical mental, dental, and other wraparound supports. At a time when many SBHCs are struggling financially, this unrestricted grant funding is essential to ensure service delivery in underserved communities.
- Support a \$3.8 million legislative add in the final 2026-27 State Budget: This addition would restore cuts to SBHC sponsors whose non-Medicaid State grant funds were disproportionately reduced due to a combination of multiple across-the-board cuts in the final 2014 and 2018 State budgets, administrative action by the Department of Health to impose additional cuts on some SBHCs ranging from 25% to 70% of total grants funds, and SBHCs being permanently excluded from Cost-of-Living Adjustments (COLA). As a result of this systemic disinvestment, SBHCs across the state find themselves in a financial crisis while the need for school-based health services continues to grow.

III. Family Planning & Comprehensive Sex Education

Children's Aid offers comprehensive, age-appropriate sexual health education and reproductive health care services, as well as support for young people to build the tools they need to make healthy and informed choices. Our programs help young people prevent unintended pregnancy, HIV, and STIs so they can focus on school, make safe decisions, and prepare for their future. We applaud the State's commitment to maintaining and preserving access to high-quality reproductive health services for low-income individuals across New York State.

Recommendations: Children's Aid urges the Legislature to include the following priorities in the final Fiscal Year 2027 State Budget:

- Sustain Family Planning Funding: Given the uncertainty surrounding federal funding for reproductive health, we ask that the State commit to substituting Title X funding for comprehensive family planning programs if federal funding is rescinded.

- **Protect Adolescent Pregnancy Prevention Programs:** We ask that the State commit to replacing and maintaining funding for comprehensive adolescent pregnancy prevention programming, including the Office of Population Affairs (OPA) Teen Pregnancy Prevention (TPP) program, and New York State Department of Health's CAPP, PREP, and SRAE funds.
- **Support Comprehensive Sexuality Education through S.6901-A (Salazar)/A.7496 (Gonzalez-Rojas):** This legislation would require comprehensive sexuality instruction for students in grades K–12, aligned with national sexuality education standards, and direct the development of a statewide model curriculum. By setting consistent, evidence-based standards, this bill ensures that all students, regardless of ZIP code, receive medically accurate, age-appropriate, and inclusive sexual health education. Strengthening health literacy in this way is essential to reducing unintended pregnancies, preventing STIs, and promoting students' long-term well-being.

IV. Strengthening Behavioral Health

Children's Aid operates as a comprehensive, community-based provider of medical, dental, and behavioral health care 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 health care tailored to the needs of children and youth in foster care. This work gives us a frontline 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.

V. Workforce

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 services 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 S.3669 (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 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 five allow an 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 (S.7001/A.7616)

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

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



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 Statewide Financial System (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.

Closing Remarks

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 the health needs of all New Yorkers. 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.