Written Testimony of: Michelle Avila, Director of Public Policy
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Joint Legislative Budget Hearing on: Human Services
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On behalf of Children's Aid, thank you for the opportunity to submit testimony about the Fiscal Year 2026 Executive Budget: 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. We are leading a comprehensive counterattack on the obstacles that threaten students' achievements in school and in life. We have constructed a continuum of services, positioned every step of the way throughout childhood, that builds well-being and prepares young people to succeed at every level of education and milestone of life. Today, our nearly 2,000 full and part-time staff members empower 50,000 children, youth, and their families through our network of 40+ locations, including early childhood education centers, public schools, community centers, and community health clinics in four New York City neighborhoods – Harlem, Washington Heights, the South Bronx, and the north shore of Staten Island.

As an agency with a strong state advocacy agenda, we are members of and support the platforms of the Human Services Council, Council of Family and Child Caring Agencies (COFCCA), New York State Community Schools Network, New York State Network for Youth Success, New York School-Based Health Alliance, Empire State Campaign for Child Care, and Fostering Youth Success Alliance. Together, we are on a mission to connect children with what they need to learn, grow, and lead successful, independent lives.

SFY25 - 26 Budget Recommendations

<u>Uplifting the Human Services Sector: Fund the Targeted Inflationary Increase for the Human Services Sector at 7.8% (HMH, Part FF).</u>

The nonprofit sector is an invaluable part of the state's social safety net and our workforce is the human capital that powers social service provision across the state. A January 2025 report from the New York State Comptroller shared that in 2022, nonprofit organizations provided 1.3 million jobs to New Yorkers, just over 1 in 6 private sector jobs in the state[1]. The report also noted that nonprofit wages are substantially lower than those of public and private sector employees in New York, noting that average annual wages paid by nonprofits were nearly 24 percent lower than in the private sector and almost 14 percent lower than in the public sector in 2022[2]. For human service providers, the Government is the predominant funder of human services and the main driver of human services salaries. Government funders either directly set salary rates on contracts or do so indirectly by establishing costs for a unit of service along with required staffing on a contract.

At Children's Aid, our biggest asset is our talented and dedicated staff. We are committed to growing and developing our incredible staff but finding, hiring, and retaining staff is increasingly difficult, even with incentives, as we compete with government and private sector wages. As of the end of the first quarter of Fiscal Year 2025, we had approximately 14% vacancies in our Child Welfare and Family Services division, where we have the most difficulty hiring social workers. We often lose candidates to private and government partners who can pay $15K to $30K more than our government contracts will allow. Staff vacancies hinder our ability to provide high-quality services for youth and families. In foster care, research shows that each time a case manager changes, youth will remain in care for an additional 6 months to a year and a half as new staff members are trained and become familiar with their cases.

In addition to challenges with staff wages, human service providers face increased operational and organizational costs, including increased health insurance, utilities, and maintenance costs.

[1] DiNapoli, Thomas. "The Critical Role of Nonprofits in New York."
[2] DiNapoli, Thomas. "The Critical Role of Nonprofits in New York."

We thank the Legislature for supporting the human services sector and New Yorkers across the State. We recognize the Governor's proposal for a 2.1% investment in the Human Services sector again this year through what is now being called a Targeted Inflationary Increase. However, the proposed increase is inadequate given significant inflationary costs and large gaps in the human services workforce wages as compared to other sectors. **We strongly support increasing the investment to a full 7.8% in the final budget.**

We urge the state to ensure that Human Services investments are fully realized with equity for all programs supporting children and youth in New York State. This includes support for the following:

- **S.1580 (Persaud) /A.2590 (Hevesi)** is legislation that would include programs that have previously been excluded from human services Cost of Living Adjustments (COLA), including community-based prevention services programs and Health Homes Care Management Programs for children.
- **A.718 (Hevesi)** 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)** would establish a Human Services Employee Wage Board to review the pay disparities in the sector and develop recommendations for equitable wages in the human services sector.

A stable, well-trained workforce is essential to delivering quality services and achieving positive outcomes for our children and families. We cannot continue to underpay the professionals who are performing this challenging work.

Indirect Cost Rates & Prompt Contracting

Indirect Cost Rates

One of the biggest challenges facing the human services sector is the shortfall in Indirect Cost Rate (ICR) funding, which we absorb in some of our state contracts. Children's Aid currently has 108 city, state, and federal government contracts, with a total value of nearly $117.6 million. Out of 20 state contracts totaling $9.5 million, only 10 allow for Indirect Cost Rate recovery at rates between 6% to 15.5%. For context, our federally approved Indirect Cost Rate is 15.5%. The remaining 10 contracts *do not allow* for any Indirect Cost Rate recovery. This means we are operating at a deficit of $208K in our state contracts because of the various caps currently imposed by State funders on Indirect Cost recovery.

This funding pays for the core central operations that people don't see but are essential to running a well-functioning organization – human resources, facilities staff, and our IT department. No one would expect the state government to 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. **We call on the state to allow human services providers to use their federally approved Indirect Cost Rates across all state contracts.**

Support Prompt Contracting

In 1991, the Prompt Contracting Law (PCL) was enacted in NYS to expedite the contract process and corresponding payments to human services organizations (nonprofits) so that service interruptions and financial hardships could be avoided, reducing fiscal stress on the human services sector. In May 2024, the NYS

Comptroller issued the Not-For-Profit Prompt Contracting Annual Report - Calendar Year 2023, highlighting that over 5,000 contracts—56 percent of contracts with State agencies subject to PCL requirements—were processed late (that is, after their start or renewal dates).[3] Delayed contract registration and payments place enormous undue financial and administrative burdens on nonprofits. Currently, Children's Aid has 9 state contracts awaiting registration and 9 contracts with delayed payments, with delays ranging from one to six months.

For contracts that cover staffing expenses, delayed contract registration can be particularly challenging since we are hiring and opening staff positions without assurances that the funding will be received. Even if it is received, the timeframe for payment is unclear. This creates a financial burden for our organizations as we front the costs and look to recover sometimes two to three fiscal years back. We cannot overemphasize the impact that delayed contracts and payments have on the daily operations of our organization, specifically on our ability to hire and retain staff and provide high-quality services to the communities we serve. Across the sector, we have witnessed human service providers report increased reliance on exorbitant lines of credit or loans, and consider shuttering services as a result of difficulties with contracting. We urge state leaders to **prioritize prompt contracting and payment for human services contracts to ensure the sector's financial viability** and avoid any disruption of the vital services we provide to communities across New York State.

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

Human services providers continue to face serious challenges with insurance and have raised these issues with state elected officials over the past several years. We stand in firm solidarity with the Council for Family and Child Caring Agencies (COFCCA) in calling for immediate action. **We ask that the state assist foster care agencies in insurance access and affordability issues by creating a risk pool or**

[3] Office of the State Comptroller, "Not-for Profit Prompt Contracting Annual Report – Calendar Year 2023," May 2024.

other permanent mechanism to stabilize the insurance market, specifically for not-for-profit child welfare agencies providing foster care in New York State.

Nonprofit child welfare organizations like Children's Aid must be able to access, obtain, and pay for liability insurance to provide foster care services. Foster care agencies are required per their contracts to carry certain levels of commercial general liability insurance, professional liability insurance, and, depending on the county requirements, potentially excess umbrella liability coverage. Due to social inflation and increasing pressures in the insurance market specifically related to foster care, agencies in NYS and nationwide are experiencing significant challenges in accessing coverage. If successful in accessing coverage, we typically experience significant cost increases. Children's Aid and our fellow voluntary foster care agencies do not have the resources to pay for these increased costs long-term, and the programs' funding methodology (the Maximum State Aid Rate or MSAR, a state-set administrative rate) does not allow for capturing these significant increases from year to year.

Some of the contributing factors to this challenge in securing liability insurance are "social inflation," referring to a trend of higher jury awards and higher claims payouts due to high-profile sexual abuse cases covered in the media, and the opening of the statute of limitations in various states across the country (similar to New York's Child Victims Act). "Social inflation" is causing insurance companies in many instances to assess and drop their risk—and it is happening across the country, not just in NYS. Other contributing factors include insurers' concerns about nonprofit child welfare agencies' unabated staff turnover, vulnerability to cyber-attacks, and a newer trend in the market called litigation financing. In New York State, according to the most recent COFCCA Workforce Study, caseworkers in 2022 across child welfare programs (family foster care, prevention, and residential foster care programs) had an average turnover rate of 42%.

This is becoming an increasingly urgent issue. There are very few insurance providers in this sector already, and we are seeing the field get even smaller in recent months. In late August 2024, the Nonprofits Insurance Alliance of California (NIAC), which insured 90% of the foster family agencies (FFAs) in California, announced it would no longer renew insurance coverage for all FFAs in the state beginning October 1, 2024. This change, on such short notice, created a crisis in the sector in California, for which there is currently no statewide solution. Then, in January 2025, the Nonprofits Insurance Alliance (the same company, NIAC, going by a different name outside of California), wrote an update to all of their insured agencies nationwide, stating that effective April 1, 2025 (though reserving the right to do so beforehand) they will not renew umbrella coverage including Improper Sexual Conduct & Physical Abuse (ISCPA), and Social Services Professional coverage for any of their insured foster family agencies nationwide.

If unaddressed, this issue may prevent Voluntary Foster Care Agencies like Children's Aid from being able to legally serve children in foster care if we are not able to secure or pay for adequate liability insurance. If nonprofit providers (which currently provide care for more than 80% of the children and youth in foster care across New York State) cannot provide foster care, the responsibility for the provision of foster care services will shift to the county. Children and youth in foster care are in the care and custody of New York State, and voluntary foster care agencies are the primary providers of care for children and youth in foster care throughout the state.

We join with COFCCA in requesting **immediate support provided through the foster care rate methodology, for providers who can demonstrate hardship, to help cover increased premiums foster care agencies are experiencing in their mandated liability insurance coverage in the same fiscal year**.

Foster Care

Every day, Children's Aid builds well-being through our foster care services. We provide preventive, family, therapeutic, and medical foster care, and adoption services. In Fiscal Year 2024, we served 921 youth in our foster care programs and 241 children were placed in stable, permanent homes. We served 2,784 families in our preventive services programs in Central Brooklyn, the South Bronx, and the north shore of Staten Island. Of these families, 99.5% receiving prevention services were able to avoid foster care placement and support children safely in their homes.

Shoring Up the Child Welfare Workforce

A qualified and well-supported foster care workforce is crucial to ensuring the safety of children and youth in care, while effectively addressing the diverse needs of families. Child welfare workers engage in some of the most demanding and emotionally taxing work, often interacting with children, youth, and families during times of intense stress. To maintain the quality of care and service, we must provide these dedicated professionals with competitive wages and benefits, along with continued investment in their professional development. We stand with our colleagues at COFCCA in urging the following measures to strengthen the child welfare workforce:

- A significant expansion of the impact of the NYS Child Welfare Worker Incentive Scholarship Program to $1 million (ATL- HESC). We thank the legislature for including an additional $100,000 in the 2025 enacted budget for this program last year. We note that the Governor's FY 2026 Executive budget proposal eliminated this critical funding—we urge the restoration and expansion of the investment this year.
- Expand the NYS Child Welfare Worker Loan Forgiveness Incentive Program by increasing funding to $1 million (ATL- HESC). According to COFCCA and feedback from departing staff, one of the reasons social workers leave is their inability to repay student loans, which can range from several hundred dollars to $1,000 per month. While we recognize the federal efforts in recent years to address this issue, we continue to advocate for a long-term solution to support New York State's child welfare workforce in achieving their educational goals.

- We support the Executive Budget proposal to continue the $4 million Loan Forgiveness Program for Mental Health Clinicians Serving Children (ATL-OMH). This program would specifically support licensed mental health clinicians serving children and families in the Office of Mental Health and Office of Children and Family Services licensed settings.

Support for Community-Based Services

Community-based services are vital to ensure that the state's foster care numbers continue the positive downward trend. More than two decades ago, there were 60,000 children and youth in foster care across the state and in calendar year 2023, 13,253 children and youth were placed in foster care. Investments in community-based programs, such as preventive services, have played a crucial role in keeping families out of the system.

Prevention programs serve families by addressing parents' identified needs and assisting them in keeping their families safe, healthy, and together. Services are tailored to individual family needs, and may include home-based services and supports when there is a need for housing, food, clothing, mental health, and medical services. Investment in prevention services has contributed to an almost 60% decline in the number of children and youth entering the foster care system statewide since the implementation of the open-ended state reimbursement funding stream. At Children's Aid, 99.5% of the families that engage with our preventive programs DO NOT end up in the foster care system.

Despite the success of prevention programs and services, the state has not increased its investment in prevention services in several years. In fact, since 2008, the state budget has reduced the state share for prevention services to 62%, even though the statutory requirement is 65%. **Children's Aid urges the state to restore state reimbursement to counties for prevention investment as proposed in A.487 (Hevesi)**.

The adoption of the federal Family First Prevention Services Act in 2018 has enabled the state to make significant progress in reducing its foster care population and stabilizing families. The ongoing implementation of the Act presents an opportunity for the state to further transform its child welfare system—eliminating racial disparities and bias, promoting family self-determination, and strengthening community-based services that address the needs of New York's diverse communities. New York has yet to draw down federal Title IV-E funding meant to incentivize access to the critical community services that are essential to this goal.

We join COFCCA in encouraging the state to maximize federal Title IV-E funding under the Family First Prevention Services Act and reinvest savings back into community services, by supporting primary prevention services as proposed in the Child and Family Well-Being Fund and increasing prevention funding to support families safely remaining together.

Key Investments in Children's Health & Wellbeing:

- Children's Aid strongly supports a $195 million investment in children's behavioral health services to support Medicaid rate increases for Home and Community-Based Services (HCBS), Children and Family Treatment and Support Services (CFTSS), and Article 31 Clinics to bring the rates closer to the actual cost of providing care. Children's Aid successfully launched our Children and Family Treatment and Support Services (CFTSS) program in July of 2019. The program has enabled access for hard-to-reach families by providing clinical services in the home and community. Under CFTSS, we provide children and youth therapy services and rehabilitation services, which have been critical lifelines.
- We support creating a Youth Justice Innovation Fund (A767 (Solages)/S643 (Cleare), which will help move more state funding to community-based organizations (CBOs) serving young people and families who are justice-involved or are at risk of being justice-involved.
- Dental Services: Children's Aid provides dental services at four locations. As an Article 29 clinic, we have significant issues in obtaining dental care for children and youth in foster care. We urge the Legislature to include Article 29-I facilities in provisions expanding the Scope of Practice of Dental Hygienists under

Collaborative Agreements to provide on-site access to screening and preventative care for children and youth in foster care (HMH, Part X).

- We also join COFCCA and other community-based providers in urging the state to create a mechanism to reimburse agencies to take their children to community dentists and pay them at community rates while efforts to resolve the access issues are under review.

Early Childhood Education & Childcare

Integral to Children's Aid's mission are our early childhood education programs. We serve 786 infants, toddlers, and preschoolers across a total of 9 sites where 83% of the children we serve live in poverty. As many as 40% of families received food support directly from Children's Aid last year. Our Head Start, Early Head Start, and Preschool services are delivered by a team of almost 300 professionals who respond to and support the various needs of children and their families both onsite (co-located in public schools, community centers, and New York City Housing Authority facilities) and in the home. We offer a 0-5 early childhood education program that focuses on enhancing cognitive and reasoning ability, fostering literacy skills, building self-esteem, and facilitating healthy social maturation.

As a member of the Empire State Campaign for Child Care (ESCCC), Children's Aid supports the following recommendations:

- Provide sustained and reliable compensation and benefits to all members of the childcare workforce. ($1.2 billion)
    - Create a permanent state fund to increase childcare worker compensation. This fund should be robustly resourced and sufficient to offer all members of the childcare workforce a significant boost in income; and
    - Develop a plan for subsequent years to establish a minimum pay scale and career ladder based on agreed-upon criteria. This pay scale will inform compensation supplement levels after the base pay scale for all has been increased.

- Ensure ALL New Yorkers can access childcare, starting with guaranteeing childcare assistance (CCAP) to eligible low-income New Yorkers ($400 million).
    - Make childcare a state-funded entitlement for eligible families making less than 250% of the federal poverty threshold and increase state funding for CCAP to account for growth in the program.
    - End New York's rule that denies CCAP to families if parent(s)/caregiver(s) earn less, on average, than minimum wage.
    - End New York's rule of tying CCAP to parent(s)/caregivers' exact hours of work.
- Help eliminate barriers to accessing childcare for children with developmental delays and disabilities ($5 million).
    - Increase the enhanced rates for children with special needs to 130% of the market rate (up from 115%) and take steps to make it easier for childcare programs to receive the enhanced rate.

Child Care Block Grant (CCBG)

The New York State Child Care Block Grant (CCBG) plays a crucial role in supporting New York City's (NYC) subsidized childcare system. Over recent years, NYC has significantly expanded its CCBG-funded childcare assistance program through low-income vouchers. Between June 2022 and January 2025, the number of children using these vouchers surged from 7,400 to over 57,000. This growth, driven by encouragement from the State and the Office of Children and Family Services, was made possible by special pandemic-related funding from the federal government and increased state support.

However, due to a combination of factors, NYC is now at risk of depleting its available CCBG funds. Contributing factors include a sharp increase in childcare assistance demand, rising market rates, and the reinstatement of engagement requirements (work or training) for families receiving cash assistance. These requirements will further drive demand for childcare as parents return to work and training programs.

Currently, NYC estimates that without additional funding, thousands of families will lose access to childcare. Between 4,000 and 7,000 children could lose childcare assistance each month as the City would lack the funds to recertify their care. This would destabilize the provider system and deny thousands of families access to affordable and safe childcare.

We join our colleagues in the sector in urging state leaders to allocate an additional **$240 million for FY25 and a total of $1.923 billion for FY26** ($900 million above the Governor's proposal) to maintain the expanded levels of childcare assistance for low-income families in NYC.

While the situation in NYC is urgent, other counties in the state also depend on CCBG funds to provide essential childcare services and may face similar funding shortfalls. We call on the Legislature and Governor to assess the needs of these counties, particularly as we navigate significant shifts at the federal level that could further impact funding and programs.

<u>Reducing Child Poverty</u>

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 is critical to ensuring better outcomes for children and families, and we must take immediate, comprehensive action to break the cycle and provide every child with the opportunity to thrive.

We know that thoughtful tax policy is one way to significantly reduce child poverty. When the federal government temporarily expanded the child tax credit during the pandemic, child poverty dropped by nearly half nationally and in New York State[4]. We appreciate the significant progress that New York has already undertaken through the expansion of the Empire State Child Credit (ESCC) to families with children under age 4 in 2023, and a one-time $350 million investment in the ESCC in

[4] Schuyler Center for Analysis and Advocacy. (2024). The State of New York's Children Data Book 2024. https://scaany.org/wp-content/uploads/2024/01/State-ofNew-York-Children-2024-full-Data-Book.pdf

2024. We commend the Governor's Executive Budget proposal to increase the credit maximum from $330 per child to $1,000 for children under 4, and $500 for children ages 4 through 16. However, we strongly support the New York Can End Child Poverty coalition's call for the Governor and legislature to raise the maximum credit to $1,500 and eliminate the minimum income requirement and phase-in, which currently prevent the lowest-income filers from receiving the full credit. These changes would reduce child poverty by more than 23%[5], creating a more prosperous future for New York's children and families.

With New York's child poverty rate persistently higher than the national average, New York needs to seize the opportunity to prioritize policies proven to reduce child poverty.

We support creating the New York State Working Families Tax Credit (WFTC) as proposed in the Children and Families Reinvestment Act and expanding the Child Tax Credit as proposed in the Child Poverty Reduction Advisory Council 2024 recommendations.

Closing

Children's Aid sincerely thanks the New York State Legislature for their support of New York's children, youth, and their families. Ensuring that New Yorkers have the best opportunities available to them so that they can realize their full potential is not only the right thing to do but imperative for the future of New York State. We believe that one way to do that is to invest in the human services sector's workforce, services, and programs. As hubs of coordinated, holistic programs and opportunities partnering with communities and neighborhoods across the state, our sector has shown time and again that we are dedicated to supporting the ability of children, youth, and families to thrive.

[5] New York State Child Poverty Reduction Advisory Council. (2024). Child Poverty Reduction Advisory Council Recommendations and Progress Report. https://otda.ny.gov/news/meetings/CPRAC/2024-12-18/attachments/2024-12-18-CPRAC-2024-Recommendations-and-Progress-Report.pdf

Thank you again for the opportunity to submit testimony on these critical issues in the lives of children and families in New York State. Please feel free to contact Michelle Avila, Director of Public Policy, at mavila@childrensaidnyc.org with any questions regarding this testimony.