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ARRM: Walz Budget Proposes Another \$400M in Cuts to Disability Services After \$1B Reduction Last Year

Eagan, MN — The Association of Residential Resources in Minnesota (ARRM) today expressed deep concern and disappointment following the release of Governor Tim Walz’s supplemental budget, which proposes significant additional reductions to disability waiver services across Minnesota.

According to preliminary analysis, the Governor’s proposal includes more than \$400 million in additional reductions to disability waiver services—following more than \$1 billion in cuts enacted during the 2025 legislative session. These programs provide essential support that allows Minnesotans with disabilities to live, work, and participate in their communities.

“This budget proposal is deeply disappointing for thousands of Minnesotans with disabilities and the providers who support them every day,” said Sue Schettle, CEO of ARRM. “After more than a billion dollars in reductions last year, the Governor is proposing hundreds of millions more in cuts to services that people with disabilities rely on to live safely and independently in their communities.”

The Governor’s proposal includes several changes that would significantly impact providers and the people they support, including:

- Limiting residential service billing to 351 days per year, eliminating up to 14 billable days annually for individuals who live in group homes year-round.
- Reducing disability grant funding, including a one-time \$71 million reduction to the Long-Term Services and Supports Loan Program and eliminating several grant programs.
- Limiting inflationary adjustments in DWRS to 2 percent per year, continuing restrictions imposed last year that contributed to more than \$1 billion in reductions. Eliminating rate tier increases for Family Residential and Life Sharing Services passed in 2025.

At the same time, disability waiver providers across Minnesota continue to face severe workforce shortages. The Disability Waiver Rate System was originally designed to help move reimbursement rates closer to competitive wages so providers could recruit and retain workers in an increasingly competitive labor market.

ARRM leaders say continued caps on inflationary adjustments and new structural reductions will further widen the gap between provider reimbursement and the real cost of delivering care.

“Disability waiver providers are already facing historic workforce shortages and rising operating costs,” Schettle continued. “The Disability Waiver Rate System was designed to stabilize services and move wages toward parity with other sectors competing for the same workforce. Instead, this proposal continues to chip away at that system.”

ARRM also cautioned that changes such as the 351-day billing cap could create ripple effects across Minnesota’s disability services system, potentially reducing provider stability, limiting consumer choice, and making placements more difficult for individuals with complex needs.

“Providers cannot simply shut down homes or send staff home when someone is hospitalized or visiting family,” Schettle said. “These services operate 24 hours a day, 365 days a year. The financial assumptions built into DWRS recognized that reality.”

“Minnesota has long been a national leader in supporting people with disabilities in community settings, and we should be strengthening that system, not weakening it,” Schettle continued. “We are already seeing media reports and hearing through our network about people losing their homes and services, despite promises from the Governor’s office that this will not happen. People with disabilities should not be casualties in efforts to confront fraud and reduce the state budget.”

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About the Absence & Utilization Factor and 351-Day Cap

ARRM has prepared informational sheets that explain how the Absence & Utilization Factor is built into the DWRS, and why ARRM opposes a 351-day cap. The one-pagers are accessible on our website at the links below:

- [About the Absence & Utilization Factor](#)
- [Why ARRM Opposes a 351-Day Cap](#)

About ARRM

The Association of Residential Resources in Minnesota (ARRM) is a statewide association representing providers of community-based services that support people with disabilities to live, work, and participate fully in their communities. www.armm.org