Resource Allocation Within Providers of Intellectual Disability Services

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doi.org/10.51505/IJEBMR.2026.10724 URL: https://doi.org/10.51505/IJEBMR.2026.10724

Received: July 14, 2026 Accepted: July 20, 2026 Online Published: July 31, 2026

Abstract
The 990 tax forms for 111 non-profit agencies that offer services to individuals with intellectual disability were reviewed to establish baselines for allocation metrics. Analysis suggested that 87% of total revenue was devoted to service provision, with 63% of total agency expenses being for staff who directly provide services. Management costs consumed 12.0% of total expenses. These data are offered as a benchmark

Keywords: non-profit, intellectual disability, allocation of funds

1.0 Introduction

In 2021, the United States spent $80.6 billion on intellectual disability services (Tavis, 2024), with 87% of this total being spent through Medicaid. In Pennsylvania, 3.4% of the total state budget is devoted to intellectual disability/autism services, while 2.29% of the New Jersey budget is so allocated (Tavis, 2024). Ensuring that government funding is spent in a responsible manner is a key government function, and it is entirely appropriate for both the federal government and the state/commonwealth governments to periodically raise questions about the use of allocated funds. The field of intellectual and developmental disabilities is not immune to legitimate questions regarding the allocation processes followed by agencies providing supports and services to residents who have intellectual disability and/or autism.

Intellectual disability services in the United States tend to be funded by a combination of state and federal Medicaid funding. Most of these services are provided by private non-governmental agencies, most of which operate as non-profit agencies. To ensure that these agencies comply with regulatory fiscal guidelines, most funders require an annual audit of each agency's fiscal records. The intent of the audit is both to ensure regulatory compliance and to assess the fiscal health of the organization.

The Internal Revenue Service (IRS) has not established specific program expense ratios for non-profit agencies (Garner, undated). Despite this absence, it appears that industry standards have emerged, sometimes at the direction of state agencies. Garner has suggested that 75% of spending should be directed toward program services, 12% to management, and 13% to fundraising.

While the establishment of benchmarks for allocations within non-profit agencies that serve people with intellectual disability may be useful for addressing the political arguments that often impact social services, there is an argument against the establishment of benchmarks. Harmon (2025) has suggested that a focus on economic metrics may end up shortchanging necessary program supports, and that a more appropriate index might involve some sort of quantification of human outcomes produced by the agency. Harmon's suggestion is entirely consistent with Conroy's (Spreat & Conroy, 2023) basic question regarding intellectual disability services – "Are people better off?".

Complexity complicates the use of human outcome measures. Measures like quality of life, skill development, reduction of socially devalued behaviors are challenging to collect and analyze in other than research settings. While certainly preferable from a scientific perspective, such measures are often less suitable for use in political areas where simplicity is a key factor.

This study was prompted by recent inquiries initiated by the New Jersey legislature. Initial concern was raised regarding executive compensation in private agencies that provider support and services to New Jersey residents who have intellectual disability. Attention was drawn by a number of seemingly high compensation levels (Livio, 2026). Note that New Jersey substantially increased salaries for Direct Support staff (aides who provide direct services) to an average of over $20 per hour (Sellers, 2024), yet turnover and vacancy rates remained a problem. The essence of the concern was high executive compensation was not justified when funding is insufficient to hire a full workforce. Such inquiries are both necessary and appropriate, but they require the support of objective data if one hopes to understand any findings.

This study was designed to provide objective data regarding the allocation of resources within a large sample of agencies that provide such supports and services in Northeastern United States. The purpose of this study was to attempt to establish preliminary benchmarks for the fiscal operation of programs that provide support and services to individuals who have intellectual disability and/or autism. In a sense, the study seeks to supplement the "should be" recommendations regarding budget allocation with objective measures of it.

2.0 Methods

Data were collected from the publicly available 2024 990 tax forms submitted by agencies whose primary missions are to provide supports and services to people with intellectual disability and/or autism. Drawn from the membership lists of two Pennsylvania and New Jersey provider associations (PAR and NJACP), the study sample included 70 Pennsylvania based agencies and 41 New Jersey based agencies. These 111 agencies reported a combined 2024 revenue of just slightly less than five billion dollars ($4,998,613 in thousands). Note that this is a diverse sample, with annual revenues ranging from under one million to over 500 million. The large standard deviation of 77503 reflects this diversity.

Across 111 agencies, the operating margin was 3.3%; revenue exceeded expenses by 3.3%. Despite this positive outcome, it was observed that twenty-two (22) of the agencies reported expenses that exceeded revenue (19.8%). The mean operating margin was1,495,000, with a standard deviation of 5212.

3.0 Results: Compensation Analysis

The 990 tax form specifically requests a listing of expenses for Salaries, Pension or equivalent, and Payroll taxes. These data can be summed to create a total compensation cost for employees. The 990 tax form further distinguishes between Program Services expenses, Management and General Expenses, and Fundraising expenses. By limiting attention to the Program Services area, one can estimate the extent to which funds are specifically directed to compensating people who directly work with clients.

The chart below depicts total agency expenses, expenses devoted to program services, and program services expenses that were provided as compensation. The chart suggests that 87.3% of the collective revenue of the 111 agencies was devoted to provision of program services (exclusive of management). It was next determined that 71.2% of the Program Services funding specifically directed towards compensation for staff who provide direct supports and services.

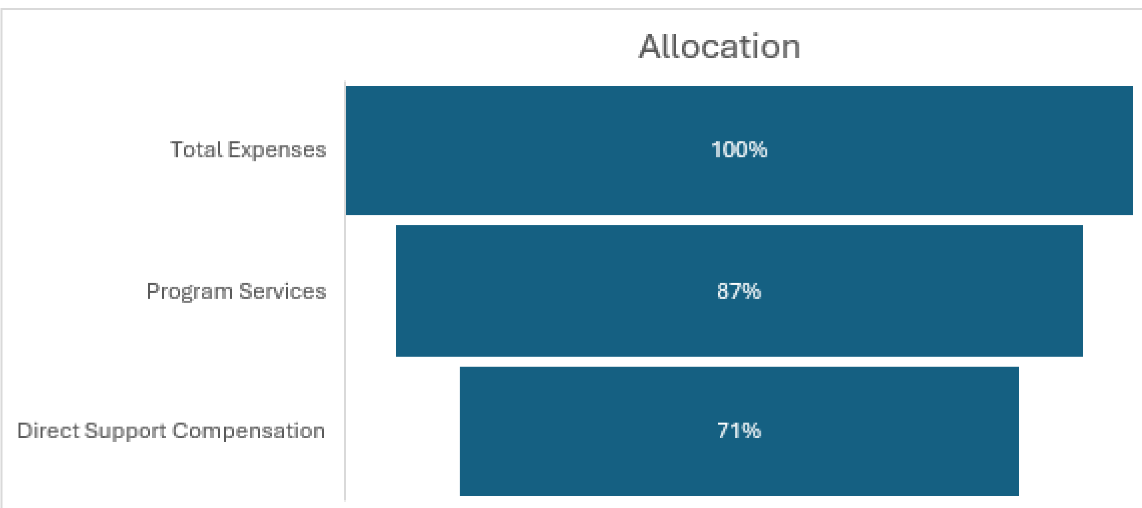

Figure 1. Allocation of Resources within Intellectual Disability Agencies

Presented in aggregate format obscures some of the diversity attributable to agency differences. While the overall percent of funds devoted to program services is 87.3%, this varied, with a 95% confidence level of +/- 21.28. Direct Service compensation was less varied, with a 95% confidence level of just +/-3.17.

The chart below suggests that 62.1% of all expenses are directed to compensating employees who provide direct services, 3.9% is devoted to program occupancy costs, and 33.9% is devoted to other operating expenses (including but not limited to management). Understand that in this chart, some Program Services expenses (other than compensation) may fall within the "other" category.

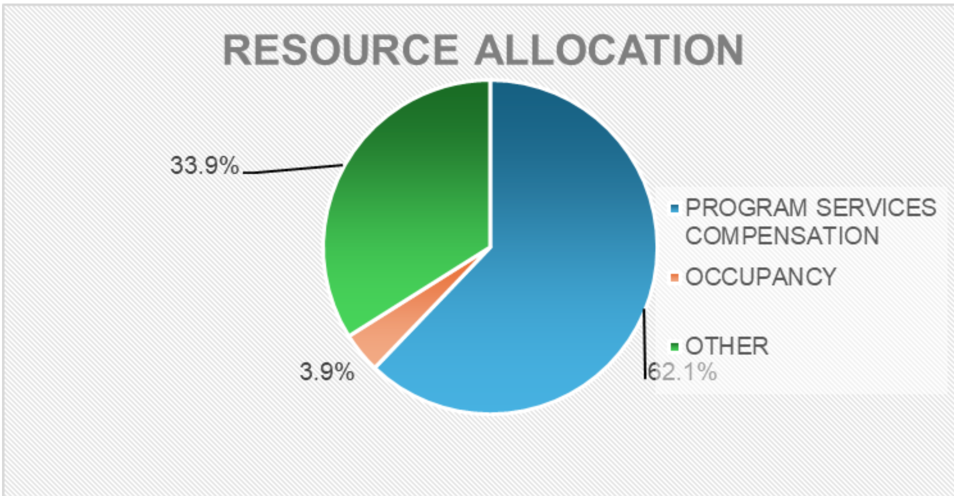

Figure 2. Allocation of Resources to Program Service Compensation, Occupancy, and Other.

The figure below depicts the allocation of expenses to Program Services, Management/General, and Fundraising. The figure reveals that 87.3% of expenses were devoted to the provision of program services, while 12.0% were devoted to management and general expenses. Fundraising appeared to be a minimal cost, consuming only 0.3% of total expenses.

3.1 Results: Analysis of Resource Allocation

The next analysis addressed a broader question regarding resource allocation. The 990 tax forms list total expenses in three broad areas: Program Services, Management, and Fundraising. The Program Services heading would refer to funds spent directly on the mission of the agency and would include compensation and program operation costs, while the Management expenses would refer to infrastructure, oversight and operations. The three headings are summed to create Total Functional Expenses. General guidelines for non-profits typically suggest that program services should consume between 70% and 85% of the expenses. Management should fall within the 10% to 15% range, while Fundraising should be in the 4% to 15% range.

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ISSN: 2456-7760

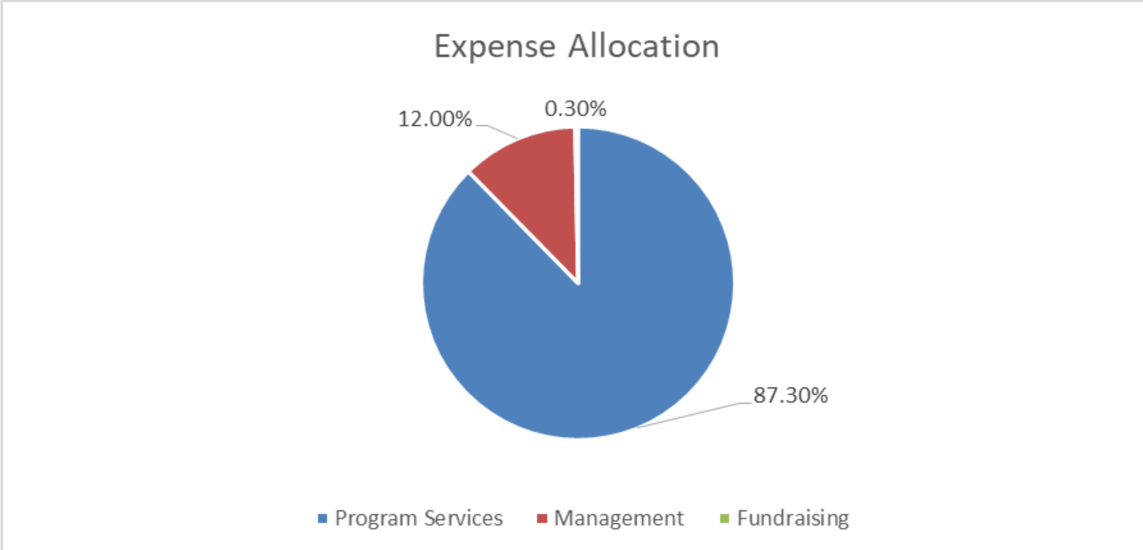

Figure 3. Allocation of Expenses to Program Services, Management, and Fundraising

4.0 Discussion

These data suggest that the funding for intellectual disability services in this sample was overwhelmingly devoted to the actual provision of supports and services, while management costs were in a reasonable 12.0% area. Perhaps the value of these data is the establishment of a baseline for the use of funds within intellectual disability programs. The intense labor demands within the intellectual disability market would seem to require benchmarks specifically for that field. Setting an objective standard against which to compare actual performance might prevent the field from falling victim to politically motivated attacks on provider agencies. The 100 – 87 – 71 metric would seem to be easily adopted for use as both a legislative bludgeon and a provider defense mechanism. Without objective benchmarks of what constitutes responsible spending, the use of allocated funds will remain a convenient source of political debate.

The adoption of expense expectations (with relatively broad confidence levels), would provide a more objective means with which to evaluate the fiscal performance of an agency. These sort of data could be used to remove the hysteria from the discussion of non-profit spending by providing a meaningful context. Of course, nothing in the adoption of expense expectation benchmarks should ever draw focus away from the assessment of human outcomes. The question of "are people better off" must remain primary. These benchmarks are just one evaluative tool.

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ISSN: 2456-7760

This study revealed that non-profit agencies working in the intellectual disability field spend 62.1% of their budgets on direct support staffing. This finding suggests that any effort to address the workforce crisis by substantially increasing direct support compensation will be very expensive. Many states have been attempting to address the workforce crisis in intellectual disability by increasing the compensation paid to workers who provide direct supports. Spreat (2024) has reported that these efforts have increased compensation at a rate greater than inflation, but not enough to impact the workforce crisis. The concern that arises is that with direct support compensation consuming almost 2/3 of total expenses, continued efforts to substantially increase compensation for those providing direct supports will be extremely expensive because so many employees will be affected. Alternative compensatory methods have been suggested (Clark, Taylor-Cook, Farry, Hansen-Turton, & Spreat, 2023).

In contrast with earlier Pennsylvania surveys (Spreat, 2017) the operating margins found in this study seem reasonable for non-profit agencies. Harrison and Montalvo (2002) have suggested that an operating margin of between 3% and 5% would be considered acceptable for a non-profit agency. By contrast, McDonald's most recently reported profit margin was over 32% (Macrotrends, 2026).

Non-profit agencies are required to complete annual fiscal performance audits. These audits tend to focus on compliance with Generally Accepted Accounting Principles (GAAP), monitoring both regulatory compliance and general fiscal health. In a sense, the GAAP standards serve as one benchmark to which the performance of an agency can be compared. In addition to this formal audit process, there are frequently political issues that arise that invite review. These issues might include employee compensation and general resource allocation concerns. The intent of this paper was to identify some preliminary benchmarks to better enable an objective review of such concerns.

While the 990 tax form is a useful tool, certain limitations must be recognized. First, only non-profit agencies with annual revenues exceeding $50,000 are required to file this tax form. Available estimates for both Pennsylvania and New Jersey suggest that about 70% of agencies providing support and services to people with intellectual disability are classified as not for profit. The results of this study can only pertain to that non-profit portion of agencies. Note also that 990 tax forms appear to allow some degree of flexibility in the classification of expenses.

Note that this study identified potential benchmarks directly from the 990 tax form. Other benchmark, both human outcome and fiscal, might also be considered. Fee (2013) has suggested that net assets and annualized growth might serve as benchmarks in the intellectual disability field. While certainly useful, these metrics might not satisfy political concerns.

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ISSN: 2456-7760

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