

United Way of Northern New Jersey

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John B. Franklin | Chief Executive Officer

November 19, 2015

Ms. Elizabeth Connolly
Acting Commissioner
NJ Department of Human Services
P.O. Box 700
Trenton, NJ 08625-0700

Dear Acting Commissioner Connolly:

Thank you for this opportunity to submit testimony concerning the state Department of Human Services FY 2017 budget.

I am writing to you on behalf of the 122,000 households in northern New Jersey that cannot afford basic necessities. This number includes the 22,000 families living in poverty as determined by federal poverty guidelines, but there are another 100,000 who are ALICE[®] (**A**sset **L**imited, **I**ncome **C**onstrained, **E**mployed).

ALICE is a United Way acronym representing working households living paycheck to paycheck, unable to afford basic necessities, including quality early childhood education. ALICE is the backbone of our communities and our economy. ALICE is the child care worker caring for our children at their most vulnerable age and the home health aide caring for our aging parents.

Despite the common perception of affluence in our region, the reality is that 1 in 4 families struggles, just one emergency away from falling into financial peril. When quality child care costs more than housing and double what it costs to obtain a college education, we are putting our state's future well-being at risk if we don't support these fragile families.

Here at United Way, we believe that providing access to quality early childhood education should be a top priority in our state. We would like to recommend that the state consider the following two critical changes to how New Jersey currently supports ALICE and households in poverty in relation to this issue:

- Set regional child care reimbursement rates versus the current statewide one-size-fits-all approach, to recognize the starkly different costs of living across the state as represented by the New York and Philadelphia wage indexes; and
- Bring the reimbursement rates closer to the market costs by region, phasing increases over a three-to-five-year period to meet the federally-recommended 75th percentile of market rate, without reducing the number of children currently served by the program.

A lot has changed in New Jersey since 2008 – the last time New Jersey raised these reimbursement rates. The state has become even *less* affordable. The cost of basic necessities – including housing, child care, transportation, food, and health care – has grown by 19%, according to our United Way ALICE Report.

The drastic, negative affects of this cannot be overstated for both the child care workers who are ALICE as well as the ALICE families who are seeking quality care for their children so they can remain working.

In the past four years, a total of 100 child care centers have closed across our region, including in Essex, Morris, Somerset, Sussex, and Warren counties. This puts the families served at risk, as well as the workers and the wider community at large.

Without an increase in the reimbursement rate, which today is just \$32 a day for infants and toddlers in comparison with an average market rate which is closer to \$60 a day in our region, many centers will continue to reject vouchers and those that do accept them will be at a clear disadvantage in trying to provide a safe, quality, and engaging environment for our children.

At United Way we have worked with community partners to save half-a-dozen quality centers in our footprint during that time – making sure 300 ALICE and families in poverty continue to have access to quality care each year. It's an uphill battle. Yet, it's one we believe is worth the effort for ALICE families and all residents in our communities.

In addition, our United Way also dedicates nearly \$400,000 annually to child care scholarships so that ALICE families can access quality care and education that otherwise would be out of reach.

We are committed to this work because of all the research and evidence pointing to how quality early childhood education is a linchpin for building a productive future workforce. As a partner in this work with you, we recognize the fiscal challenges the state faces, but believe that quality early childhood education is one area that requires our greatest commitment.

We welcome an opportunity to meet with you and discuss our ideas for creating a more equitable and effective reimbursement rate that can help ALICE have peace of mind at work and foster the highly educated workforce and citizenry that will help our state thrive into the future. In addition, if you are unfamiliar with our ALICE study, you can learn more at our website at UnitedWayNNJ.org/ALICE.

Respectfully,

A handwritten signature in black ink, appearing to read "John Franklin". The signature is fluid and cursive, with a large initial "J" and "F".

John Franklin
CEO, United Way of Northern New Jersey