

**ASSEMBLY BILL NO. 4746
(Second Reprint)**

To the General Assembly:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I herewith return Assembly Bill No. 4746 (Second Reprint) with my recommendations for reconsideration.

The Department of Human Services ("DHS") receives and administers State and federal funding to provide subsidy payments for eligible children to attend licensed child care centers and registered family child care providers (collectively, "providers"). DHS pays providers a full subsidy to cover 100% of the cost of a child's attendance for each enrolled child who is in attendance or had excused absences for at least 80% of days during a pay period. If a child's unexcused absences result in the child's attendance dipping below 80%, DHS's reimbursement is based on the child's actual attendance. In March 2020, DHS began providing full subsidy payments for all eligible children, regardless of attendance, as an immediate emergency response to the Coronavirus disease 2019 ("COVID-19") pandemic. This enabled DHS to continue to fund providers at pre-pandemic levels in order to help them to remain open to care for children during the pandemic in spite of significantly fluctuating attendance, and to ensure the providers' long-term viability. Intended as a temporary measure, DHS has thus far been able to continue the policy as additional federal child care relief funds have become available.

Assembly Bill No. 4746 (Second Reprint) would make DHS's temporary emergency measure permanent, requiring DHS to pay subsidies based on the number of eligible children enrolled with the provider. The bill also would require DHS to study the difference between paying based on enrollment and paying based on attendance.

I commend the Legislature, and the bill sponsors in particular, for their sustained efforts to protect families and the child care industry as we emerge from the COVID-19 pandemic. Since my first day

as Governor, I too have prioritized child care. Providers – very often owned, operated, and staffed by women, and in particular women of color – are the lifeblood of our economy, necessary for New Jersey’s working families to thrive, and a critical source of jobs in their own right. My Administration has accordingly committed to investing well over \$1 billion into the industry thus far. In my first two years in office, DHS invested over \$100 million to significantly increase provider reimbursement rates for all age groups, which had remained flat for over a decade; reduced co-pays for families; and invested in programs to improve the quality of child care. In 2020, my Administration dedicated \$400 million in federal funding to stabilize the industry during the first phase of the pandemic. In addition to temporarily paying providers based on enrollment, as discussed above, DHS has waived co-pays for many families; expanded assistance to essential workers and families not eligible for subsidies but in need of care; and provided over \$70 million in grants to providers.

In cooperation with my legislative colleagues, my Administration also committed to investing over \$800 million in support for measures that move beyond pandemic-related stabilization and look to strengthen the State’s child care system over the long term. In July, I signed Senate Bill No. 3990 (Second Reprint), dedicating \$100 million in federal dollars to a Child Care Revitalization Fund, which will go to facilities improvement grants, business technical assistance, recruitment and retention bonuses for child care workers, and workforce development efforts. And, last month, I announced plans to invest another \$700 million to help parents pay for child care; provide financial incentives to workers; and support providers through additional grants. Finally, DHS just announced an investment of another \$83 million to increase provider reimbursement rates for the State’s Child Care Assistance program. In total, DHS has

increased monthly infant care assistance rates by nearly 70% and by close to 50% on average for all other age groups since I took office in 2018.

In spite of my strong commitment to the child care industry and the New Jersey families who rely upon it, I am unable to support this bill in its present form. After careful consideration, I have concluded that I cannot support a policy that permanently requires DHS to provide subsidies based on enrollment. DHS's March 2020 decision was always intended as a temporary emergency measure, although unanticipated federal funding has made it possible for DHS to continue the measure longer than originally planned. However, extending it indefinitely, and after federal funding is exhausted, would necessitate identifying a permanent alternative funding source that would almost certainly require DHS to sacrifice other current or future child care policy priorities.

That being said, DHS and the Department of the Treasury have determined that federal Child Care Development Block Grant dollars will remain available to continue paying providers based on enrollment through the end of the current fiscal year. Accordingly, I am recommending that Assembly Bill No. 4746 (Second Reprint) be amended to require DHS to pay subsidies based on enrollment through June 30, 2022.

The enrollment-based payment policy has been in place during emergency circumstances, but has not yet been implemented in an environment where child care attendance has remained more steady. Without understanding the full budget implications of paying based on enrollment, DHS is not in a position to make a permanent change to its policy. Accordingly, I agree with the Legislature that DHS should analyze the long-term cost differential, as provided for in the bill. I recommend, however, that DHS complete the proposed study in 12 months instead of 24 months, so that we may sooner understand

the full implications of a permanent enrollment-based subsidy. As part of its study, DHS should also consider whether other measures may be taken into account to achieve the goals contemplated by Assembly Bill No. 4746 (Second Reprint) - chief among them, the stability for providers that comes with the advance knowledge of how much revenue they will receive each month.

Therefore, I herewith return Assembly Bill No. 4746 (Second Reprint) and recommend that it be amended as follows:

- Page 2, Title, Line 2: Delete "supplementing chapter 5B of Title 30 of the Revised Statutes" and insert "making an appropriation"
- Page 2, Section 1, Line 7: Delete "Notwithstanding" and insert "For the period beginning on the effective date of P.L. , c. (pending before the Legislature as this bill) and ending on June 30, 2022, and notwithstanding"
- Page 2, Section 1, Line 12: Delete "provider" and insert "center"
- Page 2, Section 1, Line 16: After "time" insert "during this period"
- Page 2, Section 1, Line 17: Delete "provider" and insert "center"
- Page 2, Section 1, Line 22: Delete "provider" and insert "center"
- Page 2, Section 1, Line 30: Delete "24" and insert "12"
- Page 2, Section 1, Line 31: After "shall" insert "conduct a study and"
- Page 2, Section 1, Line 34: After "children" insert "enrolled who are"
- Page 2, Section 1, Lines 34-35: Delete "enrolled with the provider"
- Page 2, Section 1, Line 35: After "on the" insert "number of children in"
- Page 2, Section 1, Line 36: Delete "of children" and insert "who are"
- Page 2, Section 1, Line 36: After "services." insert "As part of the study and report, the division may consider other measures that may be taken with respect to the payment of subsidies to licensed child care centers and registered family day care providers to ensure

stability for providers and best serve families of children eligible for child care services."

Page 3, Section 1, Line 4:

Before "and" delete "providers" and insert "centers"

Page 3, Section 2, Line 6:

Delete "The Commissioner of Human Services, pursuant to the" and insert "There is appropriated from the General Fund to the Department of Human Services the sum of \$400,000 to conduct the study and submit the report required pursuant to subsection c. of section 1 of P.L. , c. (C.) (pending before the Legislature as this bill). The Department is authorized to contract with a third party to conduct the study and submit the report required by that subsection."

Page 3, Section 2, Lines 7-9:

Delete in their entirety

Page 3, Section 3, Line 11:

Delete "and shall expire two" and insert "."

Page 3, Section 3, Lines 12-15:

Delete in their entirety

[seal]

Respectfully,

/s/ Philip D. Murphy

Governor

Attest:

/s/ Parimal Garg

Chief Counsel to the Governor