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**Testimony of United Neighborhood Houses
Before the Joint Fiscal Committees of the New York State Legislature**

Education Budget Hearing for the Fiscal Year 2018-19

Honorable Catharine M. Young, Chair, Senate Finance Committee
Honorable Helen Weinstein., Chair, Assembly Ways & Means Committee

Honorable Carl Marcellino, Chair Senate Committee on Education
Honorable Cathy Nolan, Chair, Assembly Committee on Education

**Submitted by Kevin Douglas, Co-Director of Policy & Advocacy
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United Neighborhood Houses (UNH) of New York is New York’s association of settlement houses and community centers. Rooted in the history and values of the settlement house movement begun over 100 years ago, UNH promotes and strengthens the neighborhood-based, multi-service approach to improving the lives of New Yorkers in need and the communities in which they live. UNH’s membership includes 38 organizations employing 13,000 people at over 650 sites across the five boroughs of New York City to provide high quality services and activities to over 750,000 New Yorkers each year.

Typical settlement house services range from early childhood education and after-school, to youth employment and college access, to adult education and workforce development, to behavioral health services, homelessness prevention and older adult services. Essentially, our members provide “one-stop” shopping for all community members—be they children, youth, immigrants, older adults, or working families.

New York can only succeed when all its residents do, and investments in the State’s education system are paramount to building that success. While there are some positive developments in the Governor’s budget, his proposed cut to Adult Literacy Education is deeply troubling and will have a negative impact of thousands of New Yorkers seeking to build their skills and marketability. In addition, ongoing neglect of the nonprofit sector’s infrastructure and workforce needs will undermine its ability to deliver quality neighborhood-based educational services.

UNH recommends that the Legislature work with the Governor to take the following actions in the FY 2018-19 budget:

Educational Programs

- Restore \$1m and invest an additional \$8m in the *Adult Literacy Education* (ALE) program for a total of \$15.3m
- Invest \$10m in a new *Family Literacy* pilot program

Nonprofit Human Service Providers

- Restore \$20m and invest an additional \$80m in the *Nonprofit Infrastructure Capital Investment Program* (NICIP) for a total of \$100m
- Invest \$23m in nonprofit human services contracts to cover the mandated increase for the *State minimum wage*
- Modify all nonprofit human service contracts to include a 15% *indirect rate*

Additional information about each of these recommendations follows.

Educational Programs

Adult Literacy Education

The Adult Literacy Education (ALE) program is the only source of State funding specifically available to community-based organizations, libraries, and the public university system. ALE is used to provide English and High School Equivalency preparation classes, as well as case management, referral, and other support services. New York is home to 3.5 million adults who lack English language proficiency, a high school diploma, or both. In NYC alone, the figure is 2.2 million and according to a 2016 survey of providers, typically 50,000 individuals are on waiting lists to access adult literacy classes at any given time.

State investment in adult literacy can help New Yorkers better compete in the job market, support their children in school, experience better health outcomes, and more fully engage in the civic and social lives of their communities. According to research done by the Community Service Society, for every NYC resident who earns a high school diploma or its equivalent, there is a net economic benefit to the City of ~\$324,000 over their lifetime due to their increased earnings and tax contributions and reduced utilization of public benefits. Yet despite these benefits, and recent changes in federal policy that will make it significantly harder for NYS to utilize federal Workforce Innovation and Opportunity Act (WIOA) dollars to educate individuals with beginning skills levels and/or who lack a documented status, the Governor's Executive Budget proposes a \$1m reduction in ALE funding.

In order to strengthen community integration and the competitiveness of the State's workforce, UNH recommends, the State restore the \$1m proposed cut and invest an additional \$8m to offset the anticipated consequences of WIOA changes.

Family Literacy

Educational deficits jeopardize family economic security and educational success for too many New York families. Only 38% of NYC 3rd to 8th graders are considered proficient in English Language Arts, and just 36% are proficient in Math. Many of these children will eventually leave high school prematurely, without the full range of skills necessary to succeed in post-secondary education or the job market. In addition, NYS is home to 3.5 million adult residents who lack English proficiency and/or a high school diploma. As a result, these New Yorkers earn significantly less than their peers, putting economic success for them and their families out of reach.

Family Literacy programs are designed to involve a whole family in their collective educational and economic success. By engaging both children and their parents (or other adult family caregivers) in a collaborative and mutually reinforcing learning process, families are better equipped to gain the skills they need to succeed. Although Family Literacy models vary, typical aspects of Family Literacy include: 1) Interactive literacy activities between parents and children; 2) Training for parents regarding how to be the primary teacher for their children and full partners in the education of their

children; 3) Parent literacy training that leads to economic self-sufficiency; 4) An age-appropriate education to prepare children for success in school and life.

An investment in family literacy programming will empower generations of family members to achieve educational goals, family stability, and economic security. UNH recommends that the State fund a \$10 million initiative in FY2019 which will allow for approximately 32 community-based organizations to expand or launch family literacy programs for roughly 900 families throughout the State, as well capacity-building grants for an additional 16 organizations.

Note: Family Literacy could conceivably be supported through either NYSED or OCFS divisions, or some combination thereof.

Nonprofit Human Service Providers

New York State's nonprofit human services sector is a critical partner in delivering services to New Yorkers on behalf of the State in a more effective and cost-efficient manner than the State itself could deliver. From early childhood education, to college access programs, to adult education, the provision of these educational services keeps New Yorkers thriving, and engaged in the civic and economic life of their communities.

Unfortunately, the ability of nonprofits to consistently deliver the highest quality services in a cost-effective manner is continually compromised by a business environment that threatens their financial viability and stifles innovation. For many nonprofits, the business environment consists almost entirely of contracts with local, state, and federal governments—the terms and execution of which pose challenges to their organizational health. From under-funded services, to late payments for services rendered, to conflicting regulations, to onerous paperwork and audits, government contracts force nonprofits to endure financial losses, sap organizational morale, and divert critical human capital toward addressing financial crises instead of developing innovative approaches to meeting their communities' needs. In FY2019 and beyond, there are three actions the State must take to support the sector:

- ✓ Renew the Nonprofit Infrastructure Capital Investment Program (NICIP) at \$100m and expand eligibility for nonprofit human service providers operating in publicly owned facilities
- ✓ Bring State human services contracts in line with federal guidance of at least a 10% indirect cost rate and implement a plan to move to 15%
- ✓ Modify State human services contracts to account for scheduled increases in the State minimum wage

Nonprofit Infrastructure Capital Investment Program (NICIP)

UNH was proud to have partnered with the Human Services Council, UJA Federation of New York, the Governor's Office, and the NYS Legislature to create the Nonprofit Infrastructure Capital Investment Program (NICIP) in the FY2016 budget. This initial investment of \$50m was designed to allow nonprofit human services providers to make critical upgrades to program sites, ranging from roof and brickwork, to boiler replacement, to accessibility enhancements.

Unfortunately, the funding excluded providers located in government-owned sites from applying, such as those based in the New York City Housing Authority. While in FY2017 NICIP was modified to allow such providers to apply for technology enhancements, they were still barred from physical infrastructure improvements, despite having the same needs as those located in privately-owned spaces. Funding was again renewed in FY2018, but at the reduced level of \$20m. Over 635 applications were submitted to the NICIP program, and though 580 were deemed eligible for scoring

by DASNY, just 237 were awarded funding. The total value of applications - \$300m – far exceed the \$120m available in NICIP. Unfortunately, the Governor’s executive budget eliminates funding for the NICIP altogether.

From weatherizing early childhood classrooms, to purchasing technology to support computer and financial literacy, investments in the nonprofit sector’s infrastructure will enhance their ability to deliver high-quality educational services in appropriate settings. UNH recommends that the State restore and expand funding for NICIP at \$100m in the FY2019 budget and lift the restriction bars nonprofit human service providers located in publicly owned buildings from applying.

Minimum Wage

While UNH supports the slated minimum wage increase to \$15.00/hour by 2019 in NYC, nonprofit human services providers funded by government contracts will not be able to pay these higher wages without commensurate contract adjustments to cover the costs, as well as funding to address the wage compression issue: the challenge of front-line staff wages rising to similar levels of their immediate supervisors. These supervisory staff will require wage adjustments in order to appropriately value and incentivize their work.

UNH appreciates that the Governor and legislature recognized these challenges in the direct care workforce, authorizing a 6.5% wage increase over two years, but we do not understand why this recognition and funding was not extended to the rest of the nonprofit human services workforce. The estimated cost of complying with the minimum wage increase (not including compression or a further cost of living adjustment) for the nonprofit human services workforce in FY2019 is \$23 million. UNH urges the Governor and legislature to make this investment in FY2019 and in future years as required.

Increase Indirect Contract Rates

In December 2013, the federal Office of Management and Budget issued guidance requiring states that utilize federal funds in pass-through contracts with nonprofit providers to include an indirect cost rate of at least 10% on those contracts. Though states were given one year to comply (December 2014), New York has still not acted to comprehensively address this issue and adjust all relevant contracts to the de minimis rate of 10%. In reality, rates of less than 15% fail to cover the true cost of providing services—everything from paying the rent and utilities to an organization’s finance and human resources functions. The estimated cost of these adjustments in FY2019 is \$43 million. UNH recommends that the State come into compliance with federal guidance by making this investment, and in fact should go further, extending a 15% rate to all contracts, regardless of original funding source.

Thank you for the opportunity to submit this testimony. UNH looks forward to working with the New York State legislature to build a budget that improves educational outcomes for all New Yorkers. I am happy to take questions through email at kdouglas@unhny.org or a 917.484.9321.