

CHILD AND YOUTH PROGRAM FEE POLICY FREQUENTLY ASKED QUESTIONS

1. Why are fee ranges being revised? How have the new ranges been determined?

- Income Ranges based on Total family Income (TFI) have been adjusted to reflect a weighted average of the proposed military and civilian pay increases. In practice, this means that a family will not move to a higher fee category solely because of a cost of living increase.

2. Who will be affected by these fees?

- These fees apply to families who attend regularly scheduled Child Development Center (CDC), School Age Care (SAC) and subsidized Child Development Home (CDH) programs during the year.
- Contractor employees in Category 9 will continue to not receive child care fee assistance in School Year 2015-2016 based on a recommendation from a DoD efficiency study conducted in 2012. Fees, to include the impact of adding additional categories for contractor employees paying child care fees without fee assistance, will be reviewed and analyzed with the Service annually.

3. What services will families receive for the new fee ranges?

- Fees include at a minimum 50 hours of care per week and United States Department of Agriculture (USDA) approved meals (breakfast, lunch and a snack).

4. When will the new fee structure be implemented?

- The updated fee ranges must be implemented no later than November 15th, 2015.

5. How is my Military Payday Rate (MPR) being calculated?

The Office of the Assistant Secretary of Defense (OSD), Office of Children and Youth sets parent fees across the Department of Defense Child and Youth system. Navy fees have been annualized to calculate your Military Payday Rate (MPR). The weekly rate is multiplied by 52 weeks and then divided by the 24 military paydays in the year. For example: If the Category 1 Weekly Rate is \$58, then the Category 1 MPR is \$126.

$$58 \times 52 \text{ weeks} = \$3,016 / 24 = \$126 \text{ MPR.}$$

6. When I take two weeks of vacation why am I still charged a small fee?

Vacation week discounts are based on the Weekly Rate Fee. To calculate the vacation discount, the weekly rate is subtracted from the MPR. For example, a parent at the CDC who typically pays the basic Category III fee of \$193.00 on each military payday decide to take one week of vacation, their balance would be \$104.00, which is calculated by deducting the Category III weekly fee of \$89.00 from their military payday rate of \$193.00. If the same parent uses two weeks of vacation during one pay period, deduct two weekly fees (\$89 and \$89) from the \$193 MPR, and the parent owes the balance of \$15.

7. How is my child's initial fee calculated?

CDC and SAC school year fees are due each military payday on the 1st and 15th of each month for the time periods of the 1st through the 14th and the 15th through the end of the month, respectively. A child's first payment due will be dependent on what day the child actually starts in the program. Your payment is pro-rated based on a daily fee times the number of days your child actually attends. Any questions should be directed to the program manager or clerk.

8. When I withdraw my child, how is my final fee calculated?

Parents are required to provide a two-week notice when withdrawing their child from the program. If the two-week notice is not given, parents will be charged for the entire two week time period whether the child attends the program or not.

CDC and SAC school year fees are due each military payday on the 1st and 15th of each month for the time periods of the 1st through the 14th and the 15th through the end of the month, respectively. A child's final payment due will be dependent on when during the month the child withdraws from the program. The number of days will be prorated accordingly. Any questions should be directed to the program manager or clerk.

Parents are encouraged to give the program a 30-day notice of withdrawal. Those parents that notify the program 30-days in advance will be given a 10% discount off their final military payday rate.

9. How is family income determined, and what forms are required for verification?

- The Application for Department of Defense Child Care Fees DD Form 2652 or electronic equivalent will be used to verify total family income (TFI) as defined in DoDIs 6060.2.
- For the purposes of determining child care fees in the Department of Defense child development program, TFI is defined as all earned income including wages, salaries, tips, special duty pay (flight pay, active duty demo pay, sea pay), and active duty save pay, assignment incentive pay, long term disability benefits, voluntary salary deferrals, retirement or other pension income including SSI paid to the spouse and VA benefits paid to the surviving spouse before deductions for taxes, quarters allowances, and subsistence allowances and other allowances appropriate for the rank and status of military or DoD civilian personnel whether received in cash or in kind.
- Programs should not include alimony or child support received by the custodial parent, SSI received on behalf of the dependent child, reimbursements for educational expenses or health and wellness benefits, cost of living (COLA) received in high cost areas, temporary duty allowances, or reenlistment bonuses.
- Do not include cash awards, bonuses, or overtime pay in TFI calculation.

- TFI includes the appropriate Non-Locality Basic Allowance for Housing with Dependents Rate (BAH RC/T) for all members, regardless of whether they live in government housing or off installation. Program will use the local BAH rate only in locations where military members receive less than the BAH RC/T allowance. For dual military living in government quarters include BAH RC/T of the senior member only; for Defense civilian OCONUS include either the housing allowance or the value of the in-kind housing provided.
 - Note that the BAH RC/T rate is based on the calendar year. Programs will use the appropriate year's rate when calculating fees. Specific rate information can be obtained on BAH rate based on rank and geographic location at: <http://www.defensetravel.dod.mil/site/>

10. Why is the allowance for housing included in the total family income computation?

- Section 1793(a) of Title 10, United States Code requires the Department of Defense (DoD) to establish DoD wide uniform child care fees based on total family income (TFI). In 1990, when the fee policy was first established, the family's Internal Revenue Service (IRS) Form 1040 was used to determine TFI.
- In 1993, the definition of TFI was changed to be consistent with the Internal Revenue Code's definition for military members claiming Earned Income Tax Credit for Child Care. According to the IRS definition, TFI comprises all earned income to include wages, salaries, tips, long term disability, voluntary salary deferrals, quarters allowances (BAQ), subsistence allowances (BAS), and in-kind quarters and subsistence received by military members, and anything else of value, even if not taxable. Basic Allowance for Housing (BAH Type II) was used instead of BAQ because of changes to the housing allowance system in 1998.
- The computation of TFI is based on earned income rather than on disposable income. The BAH used to calculate TFI represents an in-kind service that you receive in lieu of a housing payment. As noted above, subsistence allowance is included in the category of earned income.
- Parent fees are established to generate approximately 50% of the direct costs of operating the program with the remainder of the program subsidized by appropriated funds. Regardless of income, all military child development program patrons receive some level of subsidy.

11. How do I calculate the TFI for non-related families, non-married couples and for couples who are geographically separated?

- In households where non-related families are living in the same residence, include the income of all adults who financially contribute to the welfare of the child.
- In households where the parents are married or in a legal partnership and the custodial parent is geographically separated from the sponsor include the income of both.

12. How do I calculate the income for spouses/partners who work on commission and who do not have a previous tax year return?

- Individuals who have no employment income history and whose income fluctuates throughout the year must provide an estimate of the anticipated annual earnings signed by the employer. Individuals who are self-employed will be required to provide a signed estimate of annual earnings.

13. How do I calculate the income for individuals who own their own business?

- Calculate the TFI using the business net income. Net income can be found on the individual's tax information.

14. Will families have to resubmit documentation if there have been no changes to financial arrangements?

- All families are required to provide documentation, such as a current Leave and Earning Statement (LES), annually to verify their income. This information is necessary for future assessments of the fee policy.

15. What happens if a family refuses to provide proof of income?

- Families will be charged the highest fee category.

16. Are there any exceptions to these rules in the event of special circumstances? If so, how are these determined?

- Commanders have the authority to grant hardship waivers and must consider the balance of NAF income and appropriated fund support as they approve waivers. Approved fees must be within fee categories.

17. Will civilian employees be taxed on the value of the child care space?

- Title 26, United States Code, section 61 and title 26, Code of Federal Regulations, section 1.61-1, Internal Revenue Code (IRC), provide that child care subsidies are generally treated as income. This income is generally calculated by adding the value of the subsidy to the taxable income of civilian employees who benefit from the subsidies.

- The cost of each space in DoD installation based child development programs is equally subsidized for both Military Service members and DoD civilian patrons through appropriated funds. These subsidies include direct support for a limited number of staff salaries, equipment and supplies. Additional financial support is provided in the form of installation contracts, facility and grounds maintenance, and other personnel support. If these subsidies were not available, the cost of child development programs offered to both Military Service members and DoD civilian employees would be significantly higher.
- DoD will designate a Third Party Administrator (TPA) and civilians, will be required to register with this TPA. Additional information will be forthcoming and provided by DoD.

18. Are there discounts for multiple children from the same family?

- Yes. A 20% reduction of fees for additional children of the same family is authorized for patrons of Navy Child and Youth Programs with the exception of contractor employees in Category 9, who will no longer receive child care assistance.