

CHILD DEVELOPMENT PROGRAM FEE POLICY FREQUENTLY ASKED QUESTIONS

1. How have income ranges been adjusted?

- Parents fees have been adjusted to sustain affordability for our families and to compensate for increases in direct care staff hourly wages necessary to compete with local labor markets.
- The fee policy increases the number of family income categories from 13 to 14 and increases the highest total family income category to \$154,051 and above.

2. Who will be affected by the fee schedule?

- The fee schedule applies to families whose children attend regularly scheduled CDC and SAC programs during SY 2022-2023.
- All DoD contractors and specified space available patrons pay the unsubsidized child development program fee. This does not apply to surviving spouses and military members and DoD civilian employees with nonworking spouses.

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

- Fee guidelines for regularly scheduled CDC and SAC programs are based on 50 hours of care per week. In the event that mission requirements dictate the need for care beyond 10 hours per day, the program will assume the additional costs using appropriated fund dollars. If program operating hours extend to 14 hours a day, no child may remain in care for more than 12 hours per day, except in cases of emergency.
- Installation SAC full-day child development program fees (summer and holidays) are based on full-day CDC fees and include the number of SAC operating hours. SAC rates include all meals and snacks when provided. SAC fees must be reduced up to 20 percent when meals and snacks are not provided during the full-day summer program.

4. When will the fee schedule be implemented for SY 2022-2023?

- The Military Departments and the Defense Logistics Agency will implement the fee schedule no later than October 3, 2022.

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

- Total Family Income must be verified on an annual basis. TFI for all families enrolled in child development programs must be verified no later than October 3, 2022. Each family, regardless of their income category, must provide income documentation for

verification using the most recent W-2 forms or current LES(s) of the Military Service member or DoD civilian employee. Families will no longer be permitted to automatically elect to enroll in the highest fee category. If applicable, their spouse's income and/or all adults who financially contribute to the welfare of the child must provide proof of income as well.

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

- Failure to provide the required information will delay the processing and approval of child care services and could result in denial of child care services.

7. How is Total Family Income (TFI) determined and what forms are required for verification?

- The DD Form 2652, *Application for Department of Defense Child Care Fees*, in either paper or electronic form, will be used to verify TFI as defined in DoDI 6060.02.
 - Programs will use DD Form 2652 at <https://www.esd.whs.mil/Portals/54/Documents/DD/forms/dd/dd2652.pdf>
- For the purposes of determining child care fees in DoD child development programs, TFI includes all earned income, including wages; salaries; tips; long-term disability benefits; voluntary salary deferrals; basic allowance for housing Reserve Component/Transit (BAH RC/T), subsistence allowances, in-kind quarters, and subsistence received by a Service member; DoD civilian employee and, if applicable, his or her spouses and all adults who financially contribute to the welfare of the child; and anything else of value, even if not taxable, that was received for providing services. TFI calculations must also include quarters subsistence 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, child support received by the custodial parent, Supplemental Security Income (SSI) benefits received on behalf of the dependent child, reimbursements for educational expenses or health and wellness benefits, cost of living allowances (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 BAH with Dependents Rate (BAH RC/T) for all members, regardless of whether they live in government housing or off of the installation. Programs will use the local BAH rate in locations where Service 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 a Defense civilian employee 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 current BAH RC/T chart. More information can be obtained on BAH at <http://www.defensetravel.dod.mil/perdiem/> and at <http://www.defenselink.mil/militarypay>.

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

- Section 1793(a) of Title 10, United States Code, requires that the DoD establish DoD-wide uniform child care fees based on 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 (IRC) definition for military members claiming the Earned Income Tax Credit for Child Care. According to the IRC 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, DoD civilian employees, or a spouse; and anything else of value, even if not taxable. Basic Allowance for Housing (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.

9. How is TFI calculated for non-related families or non-married couples?

- In households where non-related families are living in the same residence, programs are required to include the income of all adults who financially contribute to the welfare of the child.
- In households where the parents are not married or are in a legal partnership and the custodial parent is geographically separated from the sponsor, programs are required to include the income of both.

10. How is income calculated for individuals 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 employer estimate of the anticipated annual earnings. Individuals who are self-employed will be required to provide an estimate of annual earnings.

11. How is income calculated for individuals who own their own business?

- Calculate the TFI using the business net income.

12. 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 individual hardship waivers for Service members and DoD civilian employees, yet they must consider the balance of NAF income and appropriated fund support as they approve waivers. Individual family fees may not be adjusted below the Category 1 fee unless discounts for multiple children of the same family are authorized.
- All DoD contractors and specified space-available patrons are ineligible for the individual financial hardship exception.

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

- Installation commanders may authorize up to a 20% reduction of fees for additional children of the same family. If a multiple child discount is offered, the discount shall apply to all TFI categories.
- DoD contractors and specified space-available patrons (this does not apply to surviving spouses or families with a military or DoD civilian sponsor) are ineligible to receive the multiple child discount, based on a review of DoD Section 1799 of Title 10, United States Code, the statutory provision that authorizes child and youth program services for dependents of those who are not members of the armed forces or civilian employees.

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

- Section 61 of Title 26, United States Code (also referred to as the Internal Revenue Code), provide that child care subsidies are generally treated as part of gross income for tax purposes. The amount of income is generally calculated by adding the value of the subsidy to the taxable income of DoD civilian employees who benefit from the subsidies.
- The cost of each space in DoD installation-based child development programs is equally subsidized for both Service members and DoD civilian employees 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. In the absence of subsidies, the cost of child development programs offered to both Service members and DoD civilian employees would be significantly higher.

15. What is the market adjustment rate option, and who will pay it?

- The low- and high-market adjustment rate options, authorized by the Office of Children and Youth through the Service headquarters, provide the opportunity to adjust fees using the designated single fee per category.
 - The optional low-market adjustment for CDC and/or SAC child care fees may be used in locations where costs for comparable care within the installation catchment areas are significantly lower.
 - The optional high-market adjustment rate may be used in areas where it is necessary to pay higher wages to compete with local labor or at those installations where wages are affected by non-foreign area COLA, post differential, or locality pay.