



## NAVY CHILD AND YOUTH PROGRAM (CYP) FEE POLICY FREQUENTLY ASKED QUESTIONS School Year 2023-2024

### **1. Why has the Department of Defense (DoD) child care fees changed for School Year (SY) 2023-2024?**

- Parents fees have been adjusted in alignment with Executive Order 14095, “Increasing Access to High-Quality Care and Supporting Caregivers,” signed April 18, 2023, to improve the affordability of child care on military installations. Historically, child care fees were based on Total Family Income (TFI), with families in lower income categories paying a higher percentage of their annual TFI for child care. To provide greater equity and meet the intent of Executive Order 14095, the SY 2023-2024 fee policy adjusts the percentage of annual TFI paid for child care fees to reduce the burden on lower income families. The fee policy reduces the number of fee categories from 14 to 11, modifies each TFI range, and increases the highest TFI category to \$160,001 and above.

### **2. Why have fees been lowered for lower income families and increased for higher income families?**

- While the Department has been issuing the annual fee policy for over 30 years, it is only recently that the Department started analyzing fees through the lens of the percent of income families pay for child care. Initial analysis showed that families in lower income categories were paying a disproportionately higher amount of their TFI for child care when compared to families in higher income categories. With the issuance of the SY 2021-2022 fees, the Department made incremental efforts to reverse that trend while being mindful of the impact on parent fee income, which primarily pays for non-appropriated fund direct-care staff wages.
- The SY 2023-2024 CDP fees are intended to provide a balanced approach to reducing child care fees for families in lower income categories while maintaining the income from child care fees necessary to sustain the Military Services child care operations

### **3. Who will be affected by these fees?**

- The DoD fee schedule applies to families whose children attend regularly scheduled CDC, 24/7, FCC, and SAC programs during SY 2023-24.
- DoD contractors and specified space available patrons pay the unsubsidized child care fee.
  - For the purpose of this fee policy, the term “specified space available patron” does not include active duty military service members with non-working spouses, DoD civilian employees paid from APF and NAF with non-working spouses, or Gold Star/surviving spouses. Fees for this space available group will be based on TFI.

### **4. Will families have to resubmit documentation if there have been no changes to financial arrangements?**



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- Total Family Income (TFI) must be verified on an annual basis. TFI for all families enrolled in child development programs must be verified no later than December 15, 2023.
- Each family, regardless of their income category, must provide income documentation for verification using the October 2023 LES(s) of the Military Service member or DoD civilian employee no later than November 15, 2023.
- **DoD now requires all families, regardless of income category, to provide income documentation. Families are not 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.

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

- Failure to provide the required information will result in denial of child care services.

**6. How is Total Family Income determined, and what forms are required for verification?**

- DoD requires all military programs to complete the *Application for Department of Defense Child Care Fees, DD Form 2652*. Income is calculated using the *Navy CYP Fee Calculation Worksheet*. Calculated income from this worksheet is entered into the *DD Form 2652*.
- For the purposes of determining child care fees in DoD CYPs, TFI is defined as all earned income of the Sponsor, spouse (if applicable), and of all adults who financially contribute to the welfare of the child; including wages, salaries, tips, special duty pay (flight pay, active duty demo pay, sea pay), active duty save pay, assignment incentive pay, long-term disability benefits, voluntary salary deferrals, retirement or other pension income, and Basic Allowance for Housing Reserve Component/Transit (BAH RC/T) and subsistence allowances and in-kind quarters and subsistence received by a Military Service member, DoD civilian employee, and if applicable, his or her spouse; and anything else of value, even if not taxable, received for services. Income also includes Supplemental Security Income (SSI) paid to the spouse and Veterans Administration (VA) benefits paid to the surviving spouse before deductions for taxes, as well as housing allowances, subsistence allowances, and other allowances appropriate for the rank and status of military or DoD civilian personnel, whether received in cash or in kind. Basic Needs Allowance (BNA), if received, is included in TFI calculations.
- For the purpose of TFI calculations, CYPs should not include alimony or child support payments 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 allowances (COLA) received in high cost areas, temporary duty allowances, or reenlistment bonuses. Additionally, CYPs should not include cash awards, bonuses, or overtime pay in TFI calculations.



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- TFI also includes the appropriate Non-Locality Basic Allowance for Housing with Dependents Rate (BAH RC/T) for all military members, regardless of whether they live in government housing or off installation. CYPs will use the local BAH rate only in locations where military members receive less than the BAH RC/T allowance. For dual military members living in government quarters, BAH RC/T of the senior military member only is used to calculate TFI; for Defense civilians outside the continental U.S. (OCONUS), include either the housing allowance or the value of the in-kind housing provided.
  - Note: The BAH RC/T rate is based on the calendar year. Programs will use the current rate chart when calculating fees until December 31, 2023. The 2024 BAH RC/T chart must be used for families enrolling on or after January 1, 2024. Specific rate information can be obtained on BAH rate based on rank and geographic location at <http://www.defensetravel.dod.mil/perdiem/> and at <http://www.defenselink.mil/militarypay>.
- Additional information is available on **The Family's Guide to Total Family Income** at [https://s3.amazonaws.com/elib-prod/files/pubs/Family\\_Guide\\_TFI.pdf](https://s3.amazonaws.com/elib-prod/files/pubs/Family_Guide_TFI.pdf).

### **7. How is TFI calculated for non-related families or non-married couples, and couples who are geographically separated?**

- 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.

### **8. How is TFI calculated for couples who are geographically separated?**

- In households where the parents are 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.

### **9. How is TFI calculated for divorced or legally separated parents?**

- In the case of unmarried parents, legally separated parents, or divorced parents, children are eligible for child care only when they reside with the Military Service member or eligible civilian sponsor at least 25 percent of the time in a month that the child receives child care through a DoD program.
- As eligibility and enrollment is based on the sponsor's need for child care to accomplish the DoD mission, TFI is based on the sponsor's income.
- If both parents are eligible sponsors, child care fees are based on the TFI of the primary custodial parent, and if applicable, his or her spouse.



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- If one parent is an eligible sponsor, child care fees are based on the TFI of the sponsor and if applicable, his or her spouse.

**10. How is income calculated for spouses/partners who work on commission and who do not have a previous tax year return?**

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

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

- The TFI is calculated using the business net income reported on the individual's tax document. Net income or profit is the self-employed or gross business income minus business expenses.

**12. Why is the allowance for housing included in the TFI computation?**

- Section 1793(a) of Title 10, United States Code, requires the DoD to 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 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), 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 received in lieu of a housing payment. As noted above, subsistence allowance is included in the category of earned income.
- DoD parent fees are established to generate approximately 50 percent of the direct costs of operating the program, with the remainder of the program subsidized by appropriated funds. Regardless of income, all eligible military child and youth program patrons receive some level of subsidy.

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

- Installation Commanders have the authority to grant individual hardship waivers for military members and DoD civilian employees, yet they must consider the balance of



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NAF income and appropriated fund support as they approve waivers. Approved fees must be within DoD fee categories. Military sponsors must work within the chain of command, and civilian sponsors must apply through the Installation CYP Director for hardship consideration. All fees assessed under a hardship waiver must have an expiration date and be reconsidered during the annual reverification process.

- Installation Commanders are not authorized to set fees lower than a Category I. Requests for fees lower than a Category I require approval from CNIC (N96). Command hardship waivers must be documented in writing, maintained with the family's *Parent Fee Agreement*, and re-evaluated at the Commander's discretion at least every 180 days (or more frequently, depending on the situation).
- Families who are approved a hardship waiver must complete a new *Parent Fee Agreement* reflecting the new fee and period authorized.
- All DoD contractors and specified space available patrons are ineligible for the individual financial hardship exception.

### 14. What services will families receive for the full-time fees?

- DoD fees for full-time child care include, at a minimum, 50 hours of care per week per child and United States Department of Agriculture (USDA) approved meals (breakfast, lunch, and a snack). Whether or not a CYP is operating for more than 12 hours a day, the care time for any child SHALL NOT exceed 12 hours per day per DoD, except in cases of emergency.
- If a family exceeds the 12 hour rule three times, the child may be subject to a suspension of care or disenrollment from the program. Exceptions to this rule may be made in rare circumstances such as an emergency or due to a mission requirement with a letter from the command.

### 15. How is a family's Military Payday Rate (MPR) calculated?

- The Office of the Assistant Secretary of Defense (OSD), Office of Children and Youth sets parent fees across the DoD Child and Youth system. Fees have been annualized to calculate the 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 I weekly rate is \$60, then the Category I MPR is \$130.

$$\$60 \times 52 \text{ weeks} = \$3,120 / 24 \text{ MPD} = \$130 \text{ MPR.}$$

### 16. How are a child's initial fees calculated?

- Initial fees due for child care services will be dependent on the child's enrollment day during the month. During the initial days of attendance, fees are prorated based on a daily fee multiplied by the number of days the child is enrolled. After the initial fee period, CDC, 24/7, and SAC SY 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 last day of the month, respectively. FCC SY fees are due on the schedule outlined in the Parent/Provider Contract. Any questions should be directed to the Program Manager or Operations Clerk.



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

- A 20-percent reduction of fees for additional children of the same family is authorized regardless of the program type (e.g., first child in CDC, second child in SAC School Year Care).
- The multi-child rate always applies to the child assessed at the lowest fee rate.
- Children who are living in the same household but are enrolled in programs at different installations still receive the multi child rate. Children from the same family who live in different households are not eligible for the multi-child rate.
- DoD contractors and specified space available patrons are ineligible to receive the multi-child rate. Based on the annual review, the Office of General Counsel determined that the law does not authorize subsidies for DoD contractors and specified space available patrons.

**18. Why are families still charged a small fee when they take vacation?**

- Vacation week discounts are based on the weekly rate fee for 26 annual pay periods, while the MPR is based on 24 pay periods annually. To calculate the vacation discount, the weekly rate is subtracted from the MPR. Due to the annualized MPR, the weekly rate does not divide evenly, resulting in an additional fee balance due. For example, continuing with the example above, a family at the CDC who typically pays the basic category I MPR fee of \$130 requests 1 week of vacation. Their balance would be \$70:
  - Category I MPR \$130 – Category I weekly rate \$60 = \$70 balance due.

**OR for 2-week vacation request:**

- Category I MPR \$130 – Category I weekly rate \$60 x 2 weeks (\$120) = \$10 balance due.

**19. When a family withdraws their child, how is the final fee calculated?**

- Parents are **required** to provide at least a 2-week written notice of withdrawal of their child from the program. Parents are **encouraged** to provide a 30-day written notice of withdrawal of their child from the program. Parents who notify the program 30 days in advance receive a 10-percent discount off their final MPR fee.
- CDC, 24/7, and SAC SY 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 last day of the month, respectively. After notification of withdrawal of the child, the final fee due will be prorated based on the number of days the child is enrolled during the final MPR period multiplied by the daily fee. Any questions should be directed to the Program Manager or Operations Clerk.
- If the **required** 2-week notice is not provided, parents will be charged for the entire 2-week time period, whether the child attends the program or not.



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- If a family disenrolls from the program and fees are not paid in full, the family must pay these fees in full prior to being eligible for another CYP-subsidized space at a new location.
- Commands are authorized to implement local policies for handling delinquent payments and unpaid balances to include denying care, chain of command notification, and payroll deductions.

**20. Will DoD civilian employees patrons 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) provides that child care subsidies are generally treated as part of gross income for tax purposes. This income is generally calculated by adding the value of the subsidy to the taxable income of the 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 military service members and DoD civilian patrons through appropriated funds. These subsidies include direct support for a limited number of staff salaries, facility equipment, and operational 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.

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

- A low and high market adjustment rate option, 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 rate may be used in areas where costs for comparable care within the installation catchment area 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 cost of living allowances (COLA), post differential, or locality pay.