NAVY CHILD AND YOUTH PROGRAM (CYP) FEE POLICY
FREQUENTLY ASKED QUESTIONS
Fiscal Year 2019

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 the approved military and civilian pay increases. In practice, this means that a family will not move to a higher fee category solely based on a cost of living increase.

2. Who will be affected by these fees?

    - These fees apply to families whose children attend regularly scheduled Child Development Centers (CDCs), Child Development Homes (CDH), 24/7 Centers, and School Age Care (SAC) programs during the year.
    - Last year, the SY 2017 - 2018 fee review determined that DoD contractors and other specified space available patrons, as defined in DoD Instruction (DoDI) 6060.02 "Child Development Programs," August 5, 2014, would no longer be eligible for child care fee subsidies. Effective for SY 2018-2019, **all** DoD contractors and specified space available patrons will pay the unsubsidized Category IX (A) child care fee.

    - As a result of the Department's 2012 efficiency study, specified space available patrons include military retirees and other federal employees in all categories. 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 or DoD civilian employees paid from APF and NAF with non-working spouses. Fees for this space available group will be based on TFI.
    - Fees for hourly care and part-day enrichment program fees are also established and are set at $5.00 an hour.

3. When will the new fee structure be implemented?

    - For CDC, SAC, YP, and 24/7 Centers, the updated fee ranges must be implemented on February 1, 2019. For CDH, the updated fee ranges must be implemented on February 4, 2019.

4. How are the TFI fee categories determined for families who enroll in Navy Child and Youth Programs (CYPs)?

    - Fee categories, based on TFI, 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.

5. How is 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* or an electronic equivalent. The *Navy CYP Fee Calculation Worksheet, CNICCYP 1700/50* is the electronic equivalent required to be used by all Navy programs to verify TFI.

- For the purposes of determining child care fees in DoD CYPs, TFI is defined as all earned income 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, and retirement or other pension income. 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.
- 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, health and wellness benefits, cost of living allowances (COLA) received in high cost areas, temporary duty allowances, or re-enlistment bonuses. Additionally, CYPs should not include cash awards, bonuses, or overtime pay in TFI calculations.
- 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, include the BAH RC/T of the senior military member only; 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, 2018. The 2019 BAH RC/T chart must be used for families enrolling on or after January 1, 2019. Specific rate information can be obtained on BAH rate based on rank and geographic location at http://www.defensetravel.dod.mil/site/.
- 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_FY_2019.pdf.

6. 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 IRS 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), 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.
- 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 military child and youth program patrons receive some level of subsidy.

7. What services will families receive for the full-time fees?
   - Fees for full-time child care include, at a minimum, 50 hours of care per week 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, except in cases of emergency.
8. 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. Navy 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 $59, then the category I MPR is $128.

     $59 x 52 weeks = $3,068 / 24 MPD = $128 MPR.
9. 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 $128 requests 1 week of vacation. Their balance would be $69:
     - Category I MPR $128 – Category I weekly rate $59 = $69 balance due.

     OR for 2-week vacation request:

     - Category I MPR $128 – Category I weekly rate $59 x 2 weeks ($118) = $10 balance due.
10. 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. Any questions should be directed to the Program Manager or Operations Clerk.

11. 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 given, parents will be charged for the entire 2-week time period, whether the child attends the program or not.

12. How is TFI calculated for nonrelated families, nonmarried couples, and couples who are geographically separated?

- In households where nonrelated 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.

13. 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 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.

14. 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.

15. Will families have to resubmit documentation during the annual reverification 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 updated information is necessary for future assessments of the fee policy.

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

    - Families will be charged the highest fee category rate.

17. 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 exceptions and must consider the balance of NAF income and appropriated fund support as they approve exceptions. Approved fees must be within 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 exception must have an expiration date and be reconsidered during the annual reverification process.
    - All DoD contractors and specified space available patrons are ineligible for the individual financial hardship exception.

18. Will civilian employees, DoD contractors, and specified space available patrons 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, 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.
    - 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.

19. 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.

- DoD contractors and specified space available patrons are ineligible to receive the multiple child discount. 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.

22. 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.