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December 1, 2020

The Honorable James M. Inhofe  
Chairman  
The Honorable Jack Reed  
Ranking Member  
Committee on Armed Services  
United States Senate

The Honorable Adam Smith  
Chairman  
The Honorable Mac Thornberry  
Ranking Member  
Committee on Armed Services  
House of Representatives

**MILITARY CHILD CARE: Off-Base Financial Assistance and Wait Lists for On-Base Care**

The U.S. Department of Defense (DOD) operates the country’s largest employer-sponsored child care program, providing care to more than 210,000 children of military families in fiscal year 2019, according to DOD.<sup>1</sup> Most of these children are cared for in subsidized child development centers on military bases, but some off-base child care providers receive subsidies on behalf of military families to reduce those families’ costs for care. The National Defense Authorization Act for Fiscal Year 2020 (the Act) required DOD to assess and report on its financial assistance to these providers, as well as its efforts to reduce wait lists for on-base child care.<sup>2</sup> Specifically, the Act required DOD to assess whether the maximum amount of assistance provided to off-base providers should be standardized across the services, and whether the maximum amount adequately accounts for high-cost duty stations. It also requires the Secretary of Defense to take any steps necessary to reduce wait lists for on-base child care, and identify any additional resources needed to increase access to child development centers.

The Act included a provision for GAO to review these assessments.<sup>3</sup> To address the provision, this report describes DOD’s assessment of (1) financial assistance provided to off-base child care providers, and (2) its efforts to reduce wait lists for child care at military bases. Our

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<sup>1</sup>DOD, *Report to the Congressional Defense Committees on Department of Defense Child Development Programs* (Washington, D.C.: September 5, 2020).

<sup>2</sup>Pub. L. No. 116-92, § 580(b) and (c), 133 Stat. 1198, 1407 (2019). DOD was required to report to the Committees on Armed Forces of the Senate and House of Representatives by June 1, 2020.

<sup>3</sup>*Id.*, §. 580(d).

methodology included a review of the report DOD issued in response to the Act.<sup>4</sup> We also interviewed officials from DOD's Office of Military Family Readiness Policy in the Office of the Deputy Assistant Secretary of Defense for Military Community and Family Policy who were involved in writing the report.

We conducted this performance audit from August 2020 to December 2020 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Background

Military child care is part of a broader set of community and family support programs for members of the armed services. DOD considers its child care program a workforce enabler that directly impacts force readiness, efficiency, and retention. However, DOD policy states that child care is not an entitlement; service members are not guaranteed child care support and are required to have adequate care plans in place for their dependents.<sup>5</sup>

In fiscal year 2020, military child care programs received nearly \$1.2 billion in federal funds across all of the services and DOD. Parents using these programs also pay a portion of the cost. The services manage their own child care programs, and are supported by DOD's Office of Military Family Readiness Policy, within the Office of the Deputy Assistant Secretary of Defense for Military Community and Family Policy.<sup>6</sup>

Military child care is offered for children from birth through age 12 in a variety of on- and off-base settings. According to DOD, a majority of these children—nearly 117,000 in fiscal year 2019—were cared for in on-base child development centers for children ages 6 weeks to 5 years. About 36,000 additional children received care from off-base providers. These providers received subsidies from DOD to reduce the cost of care to military families.<sup>7</sup>

In 2012, we reported that DOD used family income-based fee ranges for on-base care, but that each service set its own fees within those ranges, resulting in differences across the services in

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<sup>4</sup>DOD's report includes information to address multiple requirements in the Act related to child care programs. The reporting requirement in the Act refers to financial assistance provided to eligible off-base providers of child care services or youth program services. DOD said that it focused on the financial assistance provided to providers of child care services in its report because of the context of the reporting requirement within the Act. Accordingly, our report also focuses on child care services.

<sup>5</sup>Department of Defense, Child Development Programs, DOD Instruction 6060.02 (Washington, D.C.: Aug.5, 2014) (incorporating Change 2, Sept. 1, 2020). DOD, *Report to the Congressional Defense Committees on Department of Defense Child Development Programs*; K.N. Kamarck, *Military Child Development Program: Background and Issues*, Congressional Research Service (Washington, D.C.: March 19, 2020).

<sup>6</sup>DOD, *Report to the Congressional Defense Committees on Department of Defense Child Development Programs*; K.N. Kamarck, *Military Child Development Program: Background and Issues*.

<sup>7</sup>Families may receive fee assistance for off-base child care for children up to age 12. In the same year, nearly 60,000 additional children received care in certified home-based child care or in facility- or home-based care for school-aged children, according to DOD. DOD, *Report to the Congressional Defense Committees on Department of Defense Child Development Programs*.

the cost of on-base care for families with the same income.<sup>8</sup> We also found that some of the services capped the amount of subsidies they provided for off-base care, which also created cost disparities for families among the services. In addition, we found that insufficient availability was a barrier to families seeking to access child care both on- and off-base. A Senate Report accompanying the National Defense Authorization Act for Fiscal Year 2020 included a provision for GAO to assess the positive effects of DOD's child care program on children, service members, and military families no later than January 1, 2023.<sup>9</sup> We will report on this assessment in a future report.

### **DOD Has Reviewed Financial Assistance for Off-Base Child Care, Taken Steps to Improve Equity across Services, and Uses Waivers to Address Needs in High-Cost Areas**

Prior to the enactment of the Act in 2019, DOD reviewed the financial assistance it provides for off-base child care services and decided to work toward fully standardizing this assistance across the services. In the report it released in response to the Act, DOD stated that all services calculate the amount of assistance an off-base child care provider can receive on behalf of a military family by subtracting the rate the family would pay for on-base child care—which varies depending on their income level—from the rate charged by the off-base provider. The services set a maximum provider rate they will use in calculating fee assistance, called the provider rate cap.<sup>10</sup> The cap results in a maximum assistance amount that varies by family income and location type, and which is currently the only difference in how fee assistance is calculated across services.

DOD officials we interviewed said that variation among the services in the caps they placed on provider rates has decreased over time. They told us that the Army established its current rate cap of \$1,500 per month in 2013, but from 2014 to 2019, the Air Force, Marine Corps, and Navy had rate caps of \$900 per month in standard-cost locations and \$1,100 per month in high-cost locations. In fiscal year 2019, these three services raised their rate caps to \$1,100 per month in standard-cost locations and \$1,300 in high-cost locations, while the Army maintained its cap of \$1,500. Table 1 provides an example of how these differing rate caps would affect the out-of-pocket costs for a hypothetical family that would have paid \$400 per month for on-base child care, but is using off-base child care that costs \$1,600 per month (which is more than the provider rate cap for each service).

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<sup>8</sup>GAO, *Military Child Care: DOD Is Taking Actions to Address Awareness and Availability Barriers*, [GAO-12-21](#) (Washington, D.C.: February 2012). According to DOD officials, these income-based fee ranges were established in 1990, in response to the Military Child Care Act.

<sup>9</sup>S. Rep. No. 116-48, at 189.

<sup>10</sup>A family may still use a provider that charges rates above the provider rate cap, but in these instances the service would use the provider rate cap in calculating the amount of fee assistance they receive.

**Table 1: Monthly Out-of-Pocket Costs for Off-Base Child Care Charging \$1,600 per Month for a Hypothetical Military Family Who Would Have Paid \$400 for On-Base Care**

Service/ location type	Actual provider rate (set by provider)	Provider rate cap amount (set by service)	Family's cost for on-base child care	Fee assistance amount (provider rate cap minus cost for on-base care)	Family's total out-of-pocket costs (actual provider rate minus fee assistance amount)
Army (all locations)	\$1,600	\$1,500	\$400	\$1,100	\$500
Air Force, Marine Corps, or Navy (standard cost location)	\$1,600	\$1,100	\$400	\$700	\$900
Air Force, Marine Corps, or Navy (high-cost location)	\$1,600	\$1,300	\$400	\$900	\$700

Source: GAO calculations based on Department of Defense formulas for off-base child care fee assistance. | GAO-21-127R

In August 2018, a Fee Assistance Working Group consisting of managers from each service's child and youth program agreed to work toward standardizing the caps, according to DOD officials. The officials said the Working Group decided to standardize the caps based on a desire to increase equity among the services. DOD has not yet been able to meet this goal due to differences in the services' funding. According to officials we interviewed, DOD and the services are working toward their goal of standardizing the provider rate caps across the four services. They said that they assess progress toward this goal each year, but have not set a definite deadline for completion.

With respect to assistance for off-base child care at high-cost duty stations, DOD's report states that the Air Force, Marines, and Navy review high-cost locations annually, and the services may approve increased provider rate caps for specific high-cost locations.<sup>11</sup> The Air Force did so for a base near Boston. In addition, the report states that the services may grant waivers allowing increased fee assistance for individual families experiencing hardship. DOD officials we interviewed stated that the waivers were the military's method of addressing cases in which fee assistance may not be adequate for families in high-cost areas.

<sup>11</sup>The Child Care and Development Fund (CCDF), administered by the Department of Health and Human Services (HHS), is the primary source of federal child care assistance for low-income working families. According to HHS guidance, states and territories receiving CCDF funds must set their subsidy payment rates for these families based on a market rate survey or other study, such as a cost estimation model, and must reevaluate these rates every 3 years. The purpose of the market rate survey or other study is to enable the state to set its payment rates at a level that allows CCDF families access to the same range of child care available to families not receiving subsidies. HHS guidance recommends, but does not require, that CCDF families' copayments for care are based on a benchmark of 7 percent of the family's income. See HHS, Administration for Children and Families, Office of Child Care, State Capacity Building Center, *CCDF Fundamentals Resource Guide: CCDF Fundamentals for State and Territory Administrators*, 38-41 (Fairfax, VA: August 2017). The extent to which these CCDF policies related to market rate surveys and income-based benchmarks for child care costs apply to DOD's assistance is unclear because, for example, not all families enrolled in military child care programs are low income.

## **DOD Has Assessed Factors that Contribute to Wait Lists for On-Base Child Care, and Leaves Resource Requests to the Military Services**

After assessing the reasons for wait times to obtain on-base child care, DOD has taken steps to reduce them. According to the report, DOD found that wait lists are the result of a myriad of factors, including staff shortages and physical space, that vary across service locations. For example, the report states that facility conditions, which contribute to the services' ability to maximize child care spaces, vary across the services. It notes that many of the military's older child care facilities were not designed to meet its current requirements for child care programs.

DOD's report outlines a number of steps DOD and the services have taken to reduce wait lists for on-base child care. Officials said DOD has worked for several years to analyze and address wait lists and most notably, in August 2019, DOD officials began monthly monitoring of wait list data. These data are maintained by the Office of Military Family Readiness Policy, and are provided to the Secretary of Defense, who reviews the data with the Secretaries of each service and discusses actions that the service is taking to find solutions. The data come from the MilitaryChildCare.com web portal, which was launched in 2017 and, according to DOD officials, is their most significant effort to date to address wait lists. The web portal consolidates data from across all the services; prior to the portal, each service managed its wait list independently.

The report states that the majority of wait lists are in four geographic regions, as well as an additional six locations, and DOD officials said that they identified these regions and locations through their review of the data. As a result, the services have focused their efforts on addressing the issues affecting these regions and locations, according to the report. Officials told us that in some cases, multiple services have collaborated on these efforts. For example, in Hawaii, three of the services worked together to standardize their compensation rates for child care employees to help attract more staff and avoid competing with each other.<sup>12</sup> DOD officials said their primary metrics for assessing the success of their initiatives are the decrease in wait lists and the number of families served within 90 days of the date they need care. They also look at changes in utilization rates and staffing levels (if applicable). They told us that because the issue is complex and factors vary by location, there is not a set percentage change in these measures (i.e., decrease in the number of families on the wait list) that they define as a success.

The report and the officials we interviewed also said that a recent change in how families are prioritized for child care may affect wait lists. The Secretary of Defense signed a policy change memorandum that was implemented on September 1, 2020, which gives military families priority over civilian families.<sup>13</sup> Because the policy also allows military families to supplant civilian families already enrolled in military child care, officials expect that some civilian families will find other child care providers and thus open more spots for military families.

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<sup>12</sup>The three services were the Army, Marine Corps, and Navy. According to DOD officials, the Air Force was also involved in these discussions because some Air Force personnel use military child care services in Hawaii, but the Air Force does not operate any of its own child development centers in the state.

<sup>13</sup>According to DOD officials, the priority change applies to on-base child care and to assistance for off-base care when there are wait lists. They said that as of November 2020, only the Navy had a wait list for off-base assistance.

The Act required DOD to report any additional resources the Secretary determines are necessary to increase access to child care.<sup>14</sup> DOD officials we interviewed said that they could not provide this information because any resource requests must be handled through the individual services' budgeting processes. An appendix of DOD's child care report includes a list of top military construction priorities related to child care for each service, which was provided in response to a different mandate.<sup>15</sup>

### Agency Comments

We provided a copy of this draft report to DOD for review and comment. In its response, DOD reiterated its commitment to its child care programs, noting that these programs enable service members to balance the competing demands of family life and the DOD mission. DOD also provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the appropriate congressional committees, the Secretary of Defense, and other interested parties. In addition, the report is available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or [larink@gao.gov](mailto:larink@gao.gov). Contacts for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. Key contributors to this report were Elizabeth Morrison (Assistant Director), Lauren Gilbertson (Analyst-in-Charge), Jean McSween, Corinna Nicolaou, Ellen Phelps Ranen, James Rebbe, Tina Won Sherman, and Almeta Spencer.



Kathryn A. Larin  
Director, Education, Workforce, and Income Security Issues

Enclosure – 1

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<sup>14</sup>Pub. L. No. 116-92, § 580(c)(2)(B), 133 Stat. 1198, 1407 (2019).

<sup>15</sup>This information was provided in response to Senate Report 116-103, which accompanied the Department of Defense Appropriations Bill for Fiscal Year 2020.

## Enclosure I: Comments from the Department of Defense



MANPOWER AND  
RESERVE AFFAIRS

**ASSISTANT SECRETARY OF DEFENSE**  
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11/18/2020

Ms. Kathryn Larin  
Director, Education, Workforce, and Income Security  
U.S. Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Ms. Larin:

Thank you for providing the GAO Draft Report, GAO-21-127R, "MILITARY CHILD CARE: Off-Base Financial Assistance and Wait Lists for On-Base Care," dated October 15, 2020 (GAO Code 104479).

The Department views our Child Development Programs as a vital contributor to both military readiness and family readiness. Child Development Programs enable our Service members to balance the competing demands of family life and the DoD mission. For this reason, we invest a significant amount of resources to provide Service members and their families access to quality, affordable child care, both on and off the installation.

I appreciate your team's efforts in collaborating with our Office of Military Family Policy to prepare this report and address items requiring clarification. We have no further comments at this time. I can assure you we continue to focus on this very important military and family readiness program.

Sincerely,

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Text of Enclosure I: Comments from the Department of Defense

11/18/2020

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Director, Education, Workforce, and Income Security

U.S. Government Accountability Office

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Sincerely,

Virginia S. Penrod Acting

(104479)