



TO: Dr. Raynard Kington, Deputy Director, NIH

FROM: NIH Day Care Board

SUBJECT: NIH Child Care Subsidy Proposal

The NIH Parenting Festival on May 26th was a huge success, with more than 500 enthusiastic attendees. We credit the global e-mail you sent on our behalf for drawing many of those attendees. Thank you for your support.

At our January meeting with you we discussed the legislative proposal to cover NIH researchers, activities to promote child care and parenting resources, and the implementation of an NIH child care subsidy. We sent you the legislative proposal on March 19, 2004, for consideration, and we will continue to keep you informed of our activities to help support the NIH community. We appreciate your interest.

In response to your questions and concerns for more detail about the proposed subsidy, we have attached the revised *NIH Child Care Board Proposal* for the implementation of the NIH Child Care Subsidy Pilot Program. As you suggested, we have revised the proposal to include concrete examples that apply to NIH, and we have worked with the Office of Research Services to identify funds for the pilot. Before his retirement, Mr. Steve Ficca approved the inclusion of funding for the subsidy pilot in the proposed ORS budget for FY 05 and 06.

The NIH Child Care Subsidy Pilot Program is the top priority for the NIH Child Care Board. With your support, we can pilot the program in September 2004.

Please let us know if we have your approval to move forward with this pilot program. Thank you again for your attention and assistance.

Sincerely,

/s/

Janet S. Austin, Chair, NIH Child Care Board
Director, NIAMS Office of Communications and Public Liaison

/s/

Susan Koester, Assistant Chair, NIH Child Care Board
Associate Director, NIMH Division of Intramural Research Programs

Attachment

NIH Child Care Board Proposal for a Child Care Subsidy Program May 2004

There is no disagreement that high-quality child care is important to parents, children, and employers. Early experiences and environments of young children affect them throughout their lives. The National Institute of Child Health and Human Development (NICHD) Study of Early Child Care is one of the most comprehensive studies ever completed. This research indicates that “high-quality care is related to higher cognitive performance, higher language ability and higher level of school readiness.” Data from the 2002 National Study of the Changing Workforce by the Families and Work Institute indicate that access to high-quality and affordable child care supports the stability and productivity of parents in their work environments.

Child care is expensive. Enrolling one infant full-time in any one of the three NIH-sponsored child care centers in Montgomery County would cost a family between \$13,000 and \$15,000 per year, and the NIH child care facilities are not the most expensive care in the Washington metropolitan area. For most families, child care is the second or third greatest family expense, following only housing and taxes. With the average cost of care for a preschool child in Montgomery County, where the majority of NIH employees reside, more than \$150 per week or \$7,800 a year, child care tuition is a tremendous financial burden. The U.S. Department of Health and Human Services (DHHS) recommends that parents should not spend more than 10% of their family income on child care. Limiting child care to merely 10% of income is nearly impossible for any family in this area earning less than \$65,000 per year.

The NIH Child Care Board proposes that the NIH fund a 3-year Child Care Subsidy Pilot Program for the purpose of making child care more affordable for lower income Federal employees through the use of agency appropriated funds.

Currently, the NIH offers access to enriching, full-day child care by providing four child care facilities on and near NIH work sites. Together, the three centers in Montgomery County and one in Research Triangle Park, North Carolina, provide care to more than 500 children ranging in age from 6 weeks to 12 years. The child care program is licensed, accredited, and subsidized by NIH contributions of space and facility support. The NIH’s support for these programs is made possible through Federal legislation called the Tribble Amendment, which permits Federal agencies to provide space and program support for employee child care centers.

Although sponsorship by the NIH allows the centers to offer scholarship and sliding scale tuition to some families, the impression remains in the general NIH workforce that the centers are for high-grade, high-income NIH administrators and scientists. The 2001 NIH Child Care Survey results indicated that lower income NIH employees did not view the on campus centers as affordable to them. Even if the NIH designated a percentage of child care slots for moderate income families, the perception may well remain that NIH child care benefits are reserved for those who have financial means, transportation, and traditional job hours because these centers are costly, located near NIH, and cannot provide care during nontraditional hours (nights, weekends, and holidays). Even if they do apply, there are currently an additional 1,000 children on the waiting list for vacancies in the 500 existing spaces in the NIH child care facilities. A Federal program exists which permits Federal agencies to provide tuition subsidy for Federal employees with a lower family income. The Federal Child Care Subsidy, Public Law 107-67, section 630, which became permanent legislation in 2002, allows agencies to allocate any portion of appropriated operating funds, determined by each agency annually, to assist parents with child care costs in the form of tuition vouchers.

More than 25 Federal agencies currently participate in this program, including the DHHS OPDIVS of Program Support Center, Food and Drug Administration, Substance Abuse and Mental Health Services Administration, Centers for Disease Control and Prevention, Office of the Secretary/Administration on Aging, and Health Resources and Services Administration. Currently, the NIH is the only major DHHS agency not providing a child care subsidy for lower and moderate income employees.

In 2000, during the pilot phase of the Federal Subsidy Program, the NIH made a decision not to participate in the child care subsidy. However, in light of the permanent Federal legislation, the successful participation in the pilot by many Federal agencies, and the results of the 2001 NIH Child Care survey, the NIH Child Care Board recommends that the NIH initiate a child care subsidy pilot program this year.

The Board proposes a 3-year pilot program that establishes a child care tuition benefit, in the form of tuition support for lower and moderate working families, to improve the affordability for those employees who would like access to licensed child care.

The Child Care Subsidy would be provided in the form of vouchers payable directly to the licensed child care provider for services rendered. The Board recommends that the program would be managed and monitored by the Federal Employees Educational Program (FEEA), a nonprofit agency currently administering similar subsidies for more than 25 Federal Agencies. The FEEA requires an 8% annual fee for the administration of the program. It would be the responsibility of the FEEA to verify compliance with local licenses and regulations and to verify employee eligibility. Employees would be required to apply/reapply annually and provide proof of total household income to the FEEA staff. This verification system ensures that no DHHS/NIH staff would be involved in screening, determining benefits, verifying utilization, or making direct payment to providers. The FEEA also would monitor usage and project total expenditures, and provide reports of utilization and expenditure. Please see the case study following this proposal, which further illustrates employee benefits.

The Executive Director of the FEEA reports that, after 5 years of managing the program for more than 25 agencies, typical agency usage is 0.5% of the total employee population. If the total population of the NIH Federal staff is 18,000, then the FEEA projects that a maximum of 90 to 100 NIH employees might choose to participate in the program annually.

The NIH Child Care Board recommends that \$50,000 be allocated for the first year of the subsidy pilot, with \$100,000 allocated each of the two additional years. As provided in the legislation creating this program, each Federal agency determines an annual cap on expenditure. Additional families cannot enroll once program funding reaches that cap.

A waiting list would be created and maintained by the managing entity. The funding for the first year of this pilot program, \$50,000, has been requested in the Office of Research Services (ORS) budget for FY 05.

Appropriate applications, instructions, and informational materials have been created by DHHS and are available for use by the NIH. With approval from the NIH Administration, the NIH Work/Life Center and the ORS Division of Employee Services would provide publicity and information about the program to NIH employees.

This publicity campaign could begin as early as July 2004. Families would have time to make decisions about quality child care services prior to the beginning of the school year in September.

The NIH Child Care Board would actively participate in publicity efforts and assist with the evaluation of this pilot program. We await the approval of the NIH Director and thank you for your consideration of this proposal.

NIH Child Care Subsidy Case Study

What would the subsidy mean for an NIH employee with a total annual household income of \$47,000 and \$7,280 per year (\$140 per week) in child care expense?

Using formulas already adopted by FDA and the CDC, the NIH would provide tuition assistance based on family income and cost of licensed child care. No assistance would be available to families with total family income greater than \$65,000 per year, and the plan would include a benefit cap of \$5,000 per family per year.

The following benefit schedule is recommended:

Eligible Employee's Total Family Income *	Percentage of the Participant's Eligible Child Care Expenses Plan will Pay**
More than \$65,000	0%
\$58,001 - \$65,000	25%
\$51,001 - \$58,000	30%
\$44,001 - \$51,000	35%
\$37,001 - \$44,000	40%
\$30,001 - \$37,000	45%
\$30,000 or less	50%

*Total Family Income is based on IRS Tax Returns.

**This program includes a benefit cap of \$5,000 per family per year.

The NIH employee mentioned above would be eligible for a benefit of \$2,548 per year (35% of \$7,280), making his/her child care expense \$4,732.

Now, imagine that same employee if a second child were born. Would the employee return to work facing child care costs of \$14,000 per year? With the subsidy program described above, the employee would be potentially eligible for \$5,000 from the NIH in child care subsidies. That just might be enough to convince our employee to return to work from maternity leave. If she did not return to work, the NIH would need to replace that employee. The cost of recruiting and training a replacement would far exceed the cost of providing child care subsidies to that employee. Not only is establishing a child care subsidy program for NIH employees the right thing to do, it also makes good business sense.