

# RAND Research Brief

## **What Are the Costs of Operating the Military's Child Care System?**

The Department of Defense (DoD) provides child care through an impressive Child Development Program (CDP). The CDP is large, currently serving about 176,000 children 6 weeks to 12 years old in 900 child development centers (CDCs) and in 9,200 family child care (FCC) homes nationwide. Despite its large size, the CDP is also a high-quality system. The Military Child Care Act of 1989 was designed to promote quality in CDCs, and it has helped to do so through no-notice inspections, salaries tied to training milestones, and the provision of training and curriculum specialists. Today, virtually all CDCs are accredited. Moreover, the DoD has applied some of the same regulations designed to improve quality to FCC homes. CDC care is also affordable—the DoD bases parent fees on total family income, not on child age, the common practice in the civilian sector. Finally, care is widely available.

How much does this impressive system cost and how do costs vary by child care setting and by child age? In a recent RAND report, Gail Zellman and Susan Gates addressed these questions, using surveys of CDP directors at 60 installations and at five of seven centers operated for the DoD by contractors, interviewing administrative and human resources staff at civilian employer-sponsored child care centers, and developing cost estimates. Their results focused on the three research questions presented here.

### **HOW DO CDC AND FCC COSTS COMPARE?**

The average annual cost of CDC care varies by child age and ranges from \$12,133 for infant care to \$4,595 for school-age care. However, as noted above, the DoD bases parent fees on total family income, not child age. As shown in the table, in fiscal year 1998 the DoD had five family income categories. The DoD heavily subsidizes CDC care, especially for the youngest children (infants and pretoddlers). Even the highest income group pays less than 50 percent of the cost of infant and pretoddler care, and the lowest income group pays less than 25 percent.

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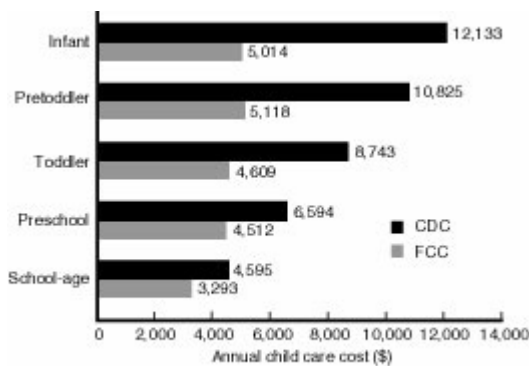
Child Age	DoD-Run CDC Average Annual Cost/Child	Parent Fees by Income Category				
		I: \$0-\$23k	II: \$23k-\$34k	III: \$34-\$44k	IV: \$44-\$55k	V: \$55k+
Infant	\$12,133	20%	24%	29%	33%	38%
Pre-toddler	\$10,825	23%	27%	32%	37%	43%
Toddler	\$8,743	28%	34%	40%	46%	53%
Preschool	\$6,594	37%	45%	53%	61%	71%
School-Age	\$4,595	53%	64%	76%	88%	101%

NOTE: Fiscal year 1998 dollars.

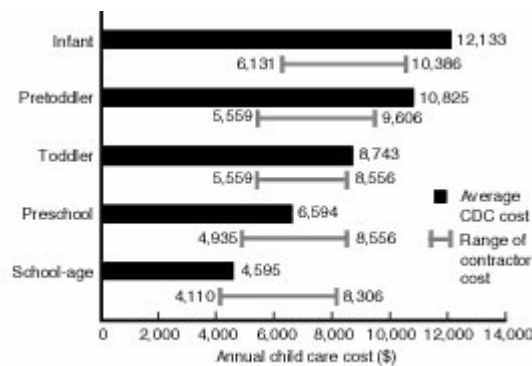
Costs varied substantially by installation. The analysis considered reasons for the variation and found that total per-child cost is significantly lower in larger centers and significantly higher at installations located in areas with a higher cost of living. The remoteness of installations and the percentage of infants and toddlers served at their CDCs were not significant cost drivers.

When the researchers compared the cost of CDC care with that of FCC care, they found, as shown in the left-hand chart on the next page, that FCC care is substantially less expensive. For the two youngest age groups, the costs for FCC care are less than half of what they are for CDC care. Although the differential decreases in the older age groups, FCC care is always less expensive.

Parents who use FCC care do not necessarily benefit from the lower FCC costs. Mostly, fees are negotiated between parents and providers and are unregulated by the DoD. As a result, the average parent fee may be more than the fee for CDC care, especially for low-earning families, who are heavily subsidized in CDCs. Subsidies could increase FCC use, but they are not widely or consistently used. Only 14 installations reported providing a subsidy for infants (and even fewer provide subsidies for older age groups), and that subsidy varied tremendously, ranging from \$6 to \$90 weekly.



NOTE: FY 1998 data.



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## WHAT IS THE COST OF CONTRACTOR-PROVIDED CARE?

Child care is not a core DoD competency, and some would argue that an outside contractor might be able to deliver care more efficiently. However, as the right-hand figure shows, outsourcing does not seem to be a major source of potential savings. Compared with the cost of CDC care, the cost of contractor-provided care tends to be lower for the youngest children but higher for the older children. This suggests that DoD contractors may be cross-subsidizing the high cost of infant care, a common practice in private centers.

## HOW DOES DoD CARE COMPARE WITH EMPLOYER-PROVIDED CARE IN COST AND FEES?

To provide context, the researchers also looked at civilian employer-provided care in seven facilities: four in the private sector selected from *Working Mother* magazine's annual list of the "100 best companies for families" and three from the public sector. All seven had either achieved or were pursuing accreditation, and the private-sector centers had subsidy levels similar to the DoD's—around 50-70 percent.

Despite their similarities to the DoD centers, private-sector centers are much less focused on meeting a large share of the need. Although they subsidize at about the same level as the DoD, parent fees are still substantial, topping \$700 per month for infants. These fees allow employers to put money into quality improvement and to send parents a message about relative cost; it also reflects the fact that quality improvement goals sometimes supersede affordability concerns. Private-sector firms are less concerned than the DoD about affordability for low-earning employees.

## IMPLICATIONS

FCC costs are considerably lower than CDC costs, especially for infants; moving infants from CDCs to FCCs would save the DoD money, even if it had to offer higher FCC subsidies to attract parents and providers to the FCC system. Also, larger centers tend to be more efficient, so the DoD should consider size in any plans for building new centers. Finally, since per-child costs varied substantially across installations, identifying and disseminating efficient practices could promote savings.

However, whatever cost-saving actions the DoD takes must be consistent with DoD values, particularly providing options for families (e.g., some families prefer CDC care for infants). Still, if the DoD could make data-based decisions (e.g., show that FCC infant care improves outcomes), it might be able to justify some cost-saving actions. No data on military child care outcomes currently exist; such data should be collected.

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RAND research briefs summarize research that has been more fully documented elsewhere. This research brief describes work done for the National Defense Research Institute; it is documented in *Examining the Cost of Military Child Care* by Gail L. Zellman and Susan M. Gates, [MR-1415-OSD](#), 2002, 141 pp., \$20.00, ISBN: 0-8330-3123-6, available from RAND Distribution Services (Telephone: 310-451-7002;

toll free 877-584-8642; FAX: 310-451-6915; or email: [order@rand.org](mailto:order@rand.org)). This research brief is also available in [printed form](#).

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