Chapter Two

AN OVERVIEW OF THE MILITARY CHILD-CARE SYSTEM

The system of care that the military has established has been a subject of considerable interest not only among policymakers and researchers, but also among other employers who are considering whether to provide child care for their employees. Interest in the DoD child-care system stems not only from its enormous size and complexity, but also the multiple indicators of its quality, particularly its rate of NAEYC accreditation, which far exceeds that for civilian child-care centers. Today, the accreditation rate in military CDCs is 96 percent; the equivalent rate in the civilian sector is only 8 percent (Campbell et al., 2000, p. 15).[1]

The large scale of military child care reflects an enormous workforce with unique child-care needs. It is understood, for example, that the frequent Permanent Change of Station (PCS) moves that personnel must make reduce the likelihood that such personnel can access child care from extended family members. Having work hours that may extend well beyond the normal workday presents an added challenge. Dual military families in particular may need care at non-standard times. The scope of the military's response reflects this substantial need. Indeed, military planners were asked to develop a method that would enable the DoD child-care system to assess need and meet more of that need over time. The ultimate goal is to provide

[1]To be eligible for first-time accreditation, a center must have operated for at least one year. For renewals, a center can be granted a deferral if there has been a change in directorship or the center has undertaken a major construction project.

215,112 spaces (or slots) by fiscal year 2007. Need is established through a DoD formula that considers key indicators such as the number of children living on a given installation under the age of five.

Military child care is provided as part of a system of care designed to meet children's needs as they age, so that children can be served by the child-care system practically from birth until age 12. A variety of venues enable the system to meet parents' needs for reliable care while recognizing parental preferences concerning the nature of the care environment. Consequently, the military provides care for as much as 12 hours a day in CDCs and even longer, if necessary, in FCC homes. For those with more-limited needs, the system can also be used on a part-time or hourly basis in many locations.

The military has had a complex relationship with FCC. Because FCC generally takes place in government living quarters, it is far less observable than CDC care.[2] For this reason, commanders in the days prior to the Military Child Care Act (MCCA) of 1989 often had qualms about FCC that were shared by many parents. Contributing to its stepchild status was the almost total absence, in those early days, of any regulation. Although the military was regulating FCC to some degree as early as 1983, during RAND's first study of military child care, interviewees frequently viewed FCC primarily as a spouse-employment program. According to one respondent, the FCC was an opportunity "for military wives to make some money while being able to be with their own young children" (Zellman et al., 1992). A person providing FCC was likened by more than one interviewee to an "Avon lady": Providing FCC was a business that a military spouse could run out of her home. Said one respondent in that early study, "We don't regulate the Avon lady or tell her how much or what kind of lipstick to sell. So we can't do that with [family child care], either" (Zellman et al., 1992).

In that same study, Zellman et al. note a number of positive attributes associated with FCC that the military might want to exploit as it proceeded to build a military child-care system. Those attributes included the ability to care for children for extended periods

[2]FCC can occur off base. There, it operates under a Memorandum of Understanding with the state, and the provider is licensed by the service.

(including nights and weekends), to keep mildly ill children in care, and to fairly readily increase or decrease the number of available slots based on need. Finally, FCC promised to expand the capacity of the growing military child-care system without the need to invest in costly CDCs, which required years to design and build.

The military moved swiftly to institute a number of reforms to FCC. Key was the DoD's decision to apply to FCC most of the requirements in the MCCA of 1989, which focused only on CDCs. The decision to apply MCCA standards to the operation of FCC signaled the military's decisive step away from equating FCC with the selling of cosmetics. Now, FCC providers are expected to undergo training and are subject to the same no-notice inspections as are CDCs.

However, limited use of subsidies for FCC has given a distorted picture of the value of FCC as part of the military child-care system. Previous work has identified a strong preference among parents for CDC care over FCC (Macro International, Inc., 1999, and Zellman et al., 1992). That preference can be partly attributed to the attractive CDCs that have been built in recent years, partly to fears about the isolation of and lack of day-to-day oversight in FCC, and partly to the inherently lower level of dependability that an individual can provide as compared with an institution. But the preference for CDC care can also partly be traced to the fact that for parents in the lower fee categories, the inherently less-attractive child-care alternative of FCC costs even more when no subsidy is provided.

To a limited degree, the Services have addressed the FCC cost problem through the use of subsidies. The DoD has authorized subsidies to FCC providers, which are being used to further specific goals, such as increased infant slots, extended-hours care, and care for children with special needs. When an FCC provider claims a subsidy, the provider must agree to set his or her fees at the same level as the CDC fees. Such a policy obviously benefits parents and removes a disincentive to use FCC. Subsidies are discussed in more detail in Chapter Four.

It is the quality of care that is provided that has brought the most attention to the military child-care system. The high quality of this care is largely a function of the MCCA of 1989. This act was written and passed in response to concerns about the quality of military child

care, and was precipitated by several incidents of child abuse in military centers. The MCCA sought to improve the quantity and quality of child care provided on military installations. An additional aim of the act was to standardize the delivery, quality, and cost of care across installations and Military Services, which in 1989 varied considerably. The MCCA relied on four policies to realize the goals of the legislation: (1) substantial pay increases for those who worked directly with children, with pay raises tied to the completion of training milestones; (2) the hiring of a training and curriculum specialist in each CDC to direct and oversee staff training and curriculum development;[3] (3) the requirement that parent fees (based on total family income) be at least matched, dollar for dollar, with appropriated (government) funds; and (4) the institution of unannounced inspections of CDCs to be conducted four times yearly.[4]

An additional goal for the framers of the MCCA was to ensure that child-care costs would not absorb too much of a family's resources. This was a particular concern for young families, who tend to have both the smallest incomes and the youngest children. Because staff-to-child ratios are tied to child age, the cost of providing care to very young children is substantially higher than the cost of care for older children. If parents were assessed fees based on child-care costs, the youngest, lowest-income parents would be paying the most. These higher fees would then represent a much larger percentage of their income. For these reasons, the decision was made to not tie CDC fees to child age but rather to base them on total family income. The idea was that if children use CDC care from age zero to five, parent fees cover an increasing portion of the cost of care over time.

The military's fee structure groups families into five fee categories based on total family income. As shown in Table 2.1, the distribution of families across fee categories varies by Service; the Air Force and Navy have the highest percentages of families in the highest fee cate-

[3]It was believed that a training and curriculum specialist in each CDC would be an important contributor to high-quality care. The framers of the MCCA rejected the idea of regionalizing this function, which is frequently done by for-profit providers (see Chapter Five for further discussion of this function in civilian centers).

[4]The appropriated-funds match of parent fees, plus provision of the CDC building and its maintenance, ensures that the subsidy for CDC care is more than 50 percent.

Table 2.1

Summary of FY 1998 to 1999 DoD Child-Care Fee Report

	Army		Navy		Marine Corps		Air Force		DoD	
Income Category	Percentage of Families in Category	Average Weekly Child-Care Fee	Percentage of Families in Category	Average Weekly Child-Care Fee	Percentage of Families in Category	Average Weekly Child-Care Fee	Percentage of Families in Category	Average Weekly Child-Care Fee	Percentage of Families in Category	Average Weekly Child-Care Fee
I: $0–$23,000	14%	$47	11%	$48	11%	$50	9%	$49	11%	$49
II: $23,001–$34,000	31%	$57	29%	$58	35%	$60	28%	$59	30%	$59
III: $34, 001–$44,000	21%	$69	20%	$71	22%	$71	21%	$71	21%	$70
IV: $44,001–$55,000	16%	$82	19%	$81	16%	$81	22%	$81	18%	$81
V: $55,001+	19%	$94	21%	$93	16%	$93	21%	$92	19%	$93

NOTE: The income categories shown here are based on FY 1998 to 1999 fee structure data. In FY 1999 to 2000, a sixth category was added, which is not shown here. The information in this table was obtained from materials provided by the DoD Office of Family Policy. Totals may not add to 100 percent.

gory; the Army has the highest percentage of families in the lowest fee category.

The average weekly child-care fee in the time frame covered by this report was $70. Assuming 50 weeks of care a year, this figure is well below the yearly $4,000 to $6,000 that the Children's Defense Fund (CDF) Report (Schulman, 2000) found to be the average cost for care for a four-year-old. Civilian care for a younger child would be even more; the CDF report found that center care for infants is on average $1,100 higher per year than the cost of center care for a four-year-old.

The requirements of the MCCA were, however, largely limited to center-based care; the DoD was not required to do much of anything with FCC or SAC. However, the DoD realized that if it met only MCCA requirements it would wind up with much-improved centers whose quality would contrast dramatically with that found in FCC and SAC. This, in turn, would increase parental demand for center care, a much more costly alternative. So, the DoD decided to apply the MCCA's quality initiatives to all three settings. As a consequence of this decision, the military runs a system that provides consistently high-quality care. Nearly all CDC care is accredited by the NAEYC; accreditation of FCC and SAC is currently being pursued. For example, nearly all Air Force SAC programs are accredited by the NSACA. (See Zellman and Johansen, 1995, and Campbell et al., 2000, for further discussion of the MCCA.) Indeed, both the Congress and the White House have noted the high quality of the military's Child Development Program (CDP) and have recommended it as a model program for the nation.

How applicable the military model might be to the civilian sector depends heavily on issues of cost. The GAO investigated the costs of military child care and compared them to the costs for civilian centers. The resulting GAO report, issued in October 1999, was limited to Air Force CDCs and compared their costs to available data on civilian centers from the Cost, Quality, and Child Outcomes in Child Care Centers study (1995) conducted by researchers at the University of Colorado at Denver. The study's bottom line was that the cost of high-quality care in Air Force and civilian centers were not substantially different. The adjusted Air Force cost per child-hour was $3.42,

which is about 7 percent higher than the cost of care in civilian centers.[5] Much of this differential can be explained by the fact that Air Force centers pay their caregivers, on average, about $1.04 more per hour. The GAO report concludes that high-quality center-based care costs only a little more than other center-based care.

Concurrent with its interest in the cost of quality child care, the DoD considered the possible benefits of outsourcing child-care provision to non-DoD organizations.[6] This exploration coincided with a much larger interest in competitive sourcing and outsourcing in the military that was finding favor at the time (see, for example, Gates and Robbert, 2000; Pint and Baldwin, 1997; and Robbert, Gates, and Elliott, 1997).[7] The general argument behind outsourcing is that organizations have limited senior managerial time and financial resources to invest; organizations should therefore focus their efforts on those activities that can be most effectively managed internally. A general movement away from diversification in the civilian sector has led firms to focus on core competencies—activities central to the organization's mission—in which the organization excels relative to its competitors (Pint and Baldwin, 1997). Outsourcing of the many services that the military provides presumably would allow the

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[5]The cost per child-hour was $3.86 but was adjusted downward to reflect the differences between Air Force and civilian centers in child age distribution. On average, military centers provide much more care to the youngest children than do civilian centers. The cost of care for the youngest children is the highest because child-to-caregiver ratios are the lowest in groups with the youngest children.

[6]For example, on March 20, 1996, Fred Pang, Assistant Secretary of Defense for Force Management Policy, presented a prepared statement to the Personnel Subcommittee of the Senate Armed Services Committee that noted the following: "We are also conducting two evaluation tests regarding outsourcing child care, recognizing that the department is nearing maximum potential to meet child care needs on base. The first of these tests involves contracting with civilian child care centers in five locations to 'buy down' the cost of spaces for military families to make costs comparable to on-installation care. The second test focuses on outsourcing the management of a defense-owned child care facility in Dayton, Ohio."

[7]It is important to note the distinction between outsourcing and competitive sourcing. The former assumes the work will be contracted out, and the goal is to find the most-efficient external service provider. The latter allows for the possibility that in-house provision of the service may be most efficient. (See Gates and Robbert, 2000, for further discussion of competitive sourcing.)

military to focus on its own core competencies while providing services that could be more flexible, and perhaps less costly as well.[8]

For many in the DoD who were most committed to the idea of outsourcing military services, child care seemed an ideal target. The provision of child care was far from the military's core competencies, and there were firms in the civilian sector that had considerable experience in providing care. The Navy in particular moved forward on this front. In 1996, the Assistant Secretary of the Navy (Manpower and Reserve Affairs), with support from the highest levels of Navy leadership, directed an A-76 study of child-care services for the entire San Diego region.[9] Interestingly, it was the Navy's MEO (Most Efficient Organization) that won the competition in the fall of 1998. The MEO's bid of $43 million over five years represented expected savings of approximately 30 percent over projections based on then-current costs.[10] There were other, more-limited efforts, particularly in military-related organizations, such as the Defense Logistics Agency, to subject child care to the A-76 process.

By 1998, however, the Air Force and the Army had taken the idea of outsourcing child care off the table. The reasons for the Air Force decision included analyses indicating that outsourcing would actually increase costs to both parents and taxpayers, and concern over reduced job opportunities for military spouses (Benken, 1998).

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[8]The literature on business management emphasizes that cost reduction should not be the primary goal of outsourcing. Improved strategic focus, better performance, and sharing risks with the supplier are all better reasons to make an outsourcing decision (Pint and Baldwin, 1997).

[9]Commercial activities in the DoD are subject to a series of rules and procedures set forth in the U.S. Office of Management and Budget (OMB) Circular A-76. The term "A-76" is often used as shorthand to refer to the rules, procedures, and processes related to the circular. The circular requires all government agencies, including the DoD, to review commercial functions being performed in-house every five years. It also limits the government's ability to directly outsource any activity that currently employs ten or more civil service (but not military) employees by requiring a structured competition that allows the government employees to bid for the work along with other potential private and public sector providers. The government's bid is called the Most Efficient Organization, or MEO. An important step in the competition process is the development of a Performance Work Statement (PWS) that describes, from a customer perspective, the work required. (See Gates and Robbert, 2000, for further details on this process.)

[10]The PWS specified an affordability target of $62 million over five years. Presumably, bids higher than this would have been rejected.

Nevertheless, the push toward outsourcing was a source of considerable concern to those in the DoD who had worked hard to foster the child-care system and implement the many changes that had moved it from being just mediocre to being outstanding. With growing pressure to outsource, it became clear that key information, such as cost per child by child age, had to be readily available in order to make informed decisions about the best way to provide high-quality, cost-effective care.

These somewhat inconsistent views of military child care—on the one hand, an asset to the military and to the whole nation as a model for civilian-sector child care, while, on the other hand, something ancillary to the military's major activities and therefore an activity that potentially should be outsourced—were very much in evidence when we began our work on this study. We revisit these issues frequently throughout this report.