

# Guidance for Agency-Specific Policies on Child Care Subsidy Programs



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## Introduction

Child Care Subsidy Programs (CCSPs) play a critical role in supporting the Federal workforce. [Public Law 107-67, Section 630, 5 CFR part 792 subpart B](#), provide key guidelines for the administration of these programs which address the evolving needs of employees as they relate to the current economic landscape. These provisions empower executive agencies to make child care more accessible and affordable for qualifying Federal employees, unlocking the potential for higher levels of productivity and wellness across the workforce.

The Office of Personnel Management (OPM) plays a pivotal role in providing oversight and support for these programs. OPM's responsibilities include offering regulatory guidance, assisting agencies in establishing and administering programs, and monitoring the effectiveness of programs across the Federal government. Additionally, OPM gathers data from agencies regarding their child care subsidy initiatives, utilizing this information to evaluate the implementation of these programs.

This guide is intended to be used as a tool for agencies to utilize as part of a broader strategy to provide expansive child care supports—including access to quality, affordable care, facilities, and other critical resources—that meets the unique needs of the agency's workforce.

## Background on Current Landscape

Public Law 107-67, Section 630 grants executive agencies the authority to allocate appropriated funds to help lower-income Federal employees with their child care expenses. This statute aims to enhance child care accessibility and affordability, thereby supporting Federal employees in balancing their professional and personal lives more effectively.

Consistent with this law and regulations promulgated by OPM, Federal agencies that opt to implement child care subsidy programs have the flexibility to design programs that best fit their mission and workforce needs (such as work-schedules, funding, and as identified in employee survey data). The administration of these programs involves a broad spectrum of responsibilities, including establishing eligibility criteria, managing fund allocation, actively promoting the programs, and evaluating their outcomes.

Agencies are also tasked with ensuring that all approved child care providers comply with relevant state and local licensing requirements as a means to safeguard the wellbeing of the children receiving care. Agencies are also expected to institute fiscal processes within their program operations that support financial integrity and prevents fraud, waste, and abuse within the program.

Public Law 107-67, Section 630 plays a key role in supporting the Federal workforce by reducing the financial burdens associated with child care. This law not only may contribute to employee retention by improving job satisfaction<sup>1,2</sup>, but also aids Federal employees in receiving the necessary support to thrive in both their professional and personal lives<sup>3</sup>. The collaborative efforts of individual agencies and OPM are crucial for enabling the successful administration of the program, ensuring efficient implementation and directly supporting the critical needs of eligible employees.

In response to Executive Order 14095, OPM has undertaken a thorough assessment of the levels of access and availability of child care programs governmentwide, leading to this revised guidance on Child Care Subsidy Programs aimed at improving accessibility for all federal employees.

## The Growing Need for Child Care Subsidy Programs

Due to a myriad of factors, child care costs are increasingly unaffordable for many families. Recent data highlights that child care costs are becoming untenable<sup>4</sup>, particularly for families with multiple children. According to the Department of Labor's Women's Bureau, the annual average price of child care grew from \$10,113 in 2018 to \$11,264 in 2022. As much as 19.3 percent of the median family income is now allocated towards child care expenses<sup>5</sup>. Another significant finding related to

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<sup>1</sup> Child care Benefits More Than Pay for Themselves at US Companies. (2024, March 18). BCG Global. <https://www.bcg.com/publications/2024/childcare-benefits-pay-for-themselves-at-us-companies>

<sup>2</sup> Employers Consider Child Care Subsidies. (n.d.). [www.shrm.org. https://www.shrm.org/topics-tools/news/employee-relations/employers-consider-child-care-subsidies](https://www.shrm.org/topics-tools/news/employee-relations/employers-consider-child-care-subsidies).

<sup>3</sup> U.S. Department of Labor. (n.d.). Guidance on Supportive Services for Child Care and Long-Term Care.

<sup>4</sup> U.S. Census Bureau. (2024, January). *Rising Child care Costs: A Growing Concern*.

<sup>5</sup> U.S. Department of Labor, Women's Bureau. (2023, January). *Child care Prices in Local Areas*.

individual child care costs found that individuals in the lowest income brackets, on average, paid 31 percent of their income toward child care.<sup>6</sup>

Additional data provided from the [National Database of Child Care Prices](#) reveals that significant cost disparities exist between different types of child care providers. For instance, annual tuition for center-based child care for toddler-aged children had a projected average cost of \$13,500 in 2022, which is considerably higher than the \$10,135 tuition cost for home-based care. Cost differences may be driven by the level of quality, state standards a provider must meet, or the prevailing wages of the community they serve.

The variations in cost work in tandem with other existing barriers highlight the need for agencies to expand or modify their subsidy policies in a manner that broadens the child care options available to families. For example, center-based child care can often serve more children, while home-based providers may provide more flexible schedules.<sup>7</sup> Allowing families to choose the type of provider that best suits their intent will help expand access to affordable child care that meets the family's scheduling needs, improves the economic stability of Federal employees' families, and ensures the children receive the specialized care that best suits their needs.

By addressing the financial challenges associated with access to quality care through well-structured subsidy programs, Federal agencies can foster a more productive and supportive work environment for all Federal employees. This renewed guidance aims to support agencies in adapting and responding effectively to the evolving financial and child care needs of their workforces.

## Benefits of Child Care Subsidies in Federal Agencies

Investing in Child Care Subsidy Programs (CCSPs) provides numerous benefits to Federal agencies, enhancing their ability to attract, retain, and cultivate a skilled and dedicated workforce. By assisting employees with child care costs, agencies may improve their recruitment strategies and can bolster retention, securing valuable

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<sup>6</sup> Improving Access, Affordability, and Quality in the Early Care and Education (ECE) Market | CEA. (2023, July 18). <https://www.whitehouse.gov/cea/written-materials/2023/07/18/improving-access-affordability-and-quality-in-the-early-care-and-education-ece-market/>

<sup>7</sup> Gordon, R. A., Colaner, A., Usdansky, M. L., & Melgar, C. (2013). Beyond an "Either-Or" Approach to Home- and Center-Based Child Care: Comparing Children and Families who Combine Care Types with Those Who Use Just One. *Early Childhood Research Quarterly*, 28(4). 10.1016.

employees who might otherwise voluntarily leave their positions to find other solutions to address the high costs associated with quality child care. This strategic support can help reduce turnover and diminish the substantial expenses and productivity losses associated with onboarding new personnel.

Child care subsidies are pivotal programs for agencies in prioritizing the achievement of human capital goals. They enable employees to better afford high-quality care options. This benefit often results in employees feeling more secure and engaged, significantly reducing workday distractions, and fostering better job performance and attendance<sup>8</sup>. In essence, by supporting employees in managing their family needs, agencies contribute to a work culture that promotes greater employee satisfaction and performance.

## Implementation Guidance

This Guide to Child Care Subsidy Programs in the Federal Government is designed to assist agency program administrators in effectively developing and managing child care subsidy programs for their civilian workforce. It updates and replaces previous guidance and leverages existing statutory directives and relevant executive orders that emphasize the importance of accessible child care for Federal employees.

The guide provides a clear overview of the laws and other authorities governing child care subsidies sponsored through federal employers and details the roles and responsibilities of key stakeholders such as agency administrators and OPM. It includes practical steps for establishing, managing, and evaluating Care Subsidy Programs, maintaining compliance with the law while also providing a framework to expand accessibility to programs for the Federal workforce.

Administrators are encouraged to use this guide as a resource for both developing new programs and enhancing existing ones. It is intended to provide essential information and insights to support the effective administration of child care subsidies, helping Federal agencies meet their mission objectives by fostering a supportive work environment in which employees who demonstrate a financial need to afford child care have the support they need to thrive.

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<sup>8</sup> U.S. Department of Commerce. (2024, June 27). Child Care Costs, Reduced Work, and Financial Strain: New Estimates for Low-Income Families. (2024, June 27).

Questions about this guide or Child Care Subsidy Program policy implementation can contact [worklife@opm.gov](mailto:worklife@opm.gov).

## Definitions

For the purposes of this guidance and consistent with 5 CFR part 792 subpart B:

**Executive Agency** – An "Executive agency" is defined under 5 U.S.C. § 105 to include an executive department, a government corporation, and an independent establishment, but does not include the Government Accountability Office.

**Employee** – An "employee" is any individual who meets the definition under 5 U.S.C. § 2105, including those participating in fellowship programs.

**Child** – A "child" means:

- A biological child;
- An adopted child;
- A stepchild;
- A foster child;
- A child for whom a judicial determination of support has been obtained; or
- A child to whose support the Federal employee, the employee's spouse, or the employee's domestic partner makes regular and substantial contributions.

Note: This guidance and the relevant laws cover children of Federal employees from birth through age 13 years and disabled children through age 18 years.

**Disabled Child** – A "disabled child" is defined as one who is unable to care for themselves because of a physical or mental condition as determined by a physician or licensed or certified psychologist.

**Employees with Financial Need** – Referred to as "lower income Federal employees" in Public Law 107-67, sec. 630, "employees with financial need" (also referred to as "qualified employees" in this guidance), are employees who may receive child care support under their agency's Child Care Subsidy Program criteria which may consider either employee income or total family income, as well as other key socio-economic factors such as locality, number of family members, and additional family and



dependent care responsibilities that directly impact the amount of net income an employee can utilize for child care.

**Federally Sponsored Child Care Center** – A “Federally Sponsored Child Care Center” is a child care center that is located in a building or space that is owned or leased by the Federal government.

**Child Care Provider**—A “child care provider” is defined under [40 U.S.C. § 590 \(b\)\(1\)](#) as an individual or entity that provides or proposes to provide child care services for Federal employees. This definition is further defined under OPM regulations governing Child Care Subsidy Programs in [5 CFR 792.202](#) as an individual or entity providing child care services for which Federal employees’ families are eligible. The provider must meet all state and, where applicable, local licensing and/or regulation requirements set forth by authorities in the jurisdiction where the child care service is being provided.

## Types of Child Care

OPM recognizes three basic types of child care that can be supported through Child Care Subsidy Programs: care provided in a qualified center-based child care facility, care provided in a qualified home-based child care facility, and child care delivered within a qualified federal employee's home.

Agencies are encouraged to find innovative ways to expand the type of care that are supported for qualifying employees, while ensuring that the providers meet the legal and regulatory requirements set forth in the State and, where appropriate, locality in which they are providing child care.

## Center-Based Child Care Facilities

Center-Based Child Care provides care for groups of children, often placed in classrooms by age, and can include Federally Sponsored Child Care Centers in which employees are liable for child care costs. They are often required to be licensed by their state or territory, which means they must follow a set of basic health and safety requirements, including ensuring staff meet minimum qualifications, and are

monitored to make sure they are following these requirements<sup>9</sup>. Centers are privately operated for profit by a chain or individual, or operated by non-profit agencies, such as churches, public schools, government agencies, or non-profit vendors. Please note that each State will have its own licensing/regulatory requirements and local directories can help identify licensed and regulated child care centers in a particular area.

## **Family-Based Child Care (also referred to as Home-Based Child Care)**

Family-Based Child Care facilities provide care for a small group of children in the caregiver's private home, such as a house, apartment, or condo unit. To ensure a safe care environment, states and territories use child care licensing regulations to limit the number of children that can receive care in a family child care home. When a family-based child care home is licensed, the provider must also meet a range of health and safety requirements, including training (such as CPR/First Aid) and criminal background check requirements. Depending on the child care regulations in your state or territory, some in-home child care providers may be considered legally exempt from having to be licensed in certain circumstances. These Family Child Care providers may offer particular flexibility to families requiring nontraditional hour care, families living in underserved geographic areas, and families with children who have special needs. In order to be eligible for the Child Care Subsidy Program offered by federal employers, caregivers must be registered, licensed, and/or in compliance with State laws and regulations.

## **Child Care Delivered within a Federal Employee's Home**

This type of care is when an individual is hired to perform care duties for a Federal employee's children within a Federal employee's own home or other private residence. The caregiver in this type of child care arrangement must meet all appropriate licensing or regulation requirements set forth by the State or locality in which they are providing care, including any background record checks. When supporting child care based in an employee's home, the agency must assess and maintain documentation regarding the caregiver's qualifications, as related to state licensure and/or regulation guidelines, prior to approval. Types of recognized caregivers in this type of care arrangement include:

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<sup>9</sup> Child Care Centers | Childcare.gov. (n.d.). <https://childcare.gov/consumer-education/child-care-centers>

## Au Pairs

The term “au pair” typically refers to an individual from abroad who comes to the U.S. to live and work with an American host family. In some instances, the au pair will provide child care for the host family in return for room, board, income, or other specified exchange. Au pairs offer parents of children a mutually beneficial relationship where host families receive critical child care support while the au pair receives the multi experience of living abroad.

Au pairs are typically sponsored through formalized programs and organizations. Agencies should defer to Federally sponsored Au Pair programs such as the [BridgeUSA program](#) through the U.S. Department of State.

## Nannies

A nanny is a child care specialist who may be employed as a full- or part-time caregiver for the Federal employee’s children. Nannies may be contracted to provide individualized short- or long-term child care and are required to adhere to any maintain compliance with any regulatory or license or employment requirements defined by their states for this type of care arrangement.

## Funding and Budgeting for a CCSP

The CCSP allows Federal agencies to utilize appropriated funds, including funds available for salaries and expenses, to assist employees with financial need to cover the costs of child care. No specific appropriations are provided for agencies to administer a CCSP. Agencies often operate within constrained administrative budgets that limit resources available for CCSPs. Therefore, it is critical for agencies to carefully track CCSP demand/utilization to ensure sufficient resources are available—this data should be reported to OPM annually.

## Estimating Costs

Prior to the fiscal year's start, agencies may attempt to forecast the amount of funding required to allocate for their specific Child Care Subsidy Program. This cost projection is influenced by the agency's mission, available resources, and other unique considerations. Critical questions to consider during this budgeting phase include:

- How will the agency set income thresholds that determine employee eligibility for the subsidy?
- How will the agency determine what factors to include when determining the "low income" status for qualifying employees?
- Will there be an income ceiling limiting employee eligibility for the subsidy?
- What factors will guide subsidy approval? For example, a first-come, first-served basis for eligible employees, or an evaluation of need following an application period?
- Will subsidy availability be restricted to certain categories of employees, such as full-time or part-time? If so, what will be the impact on accessibility for employees with financial needs?
- What costs associated with program administration need consideration, including staff salaries for oversight and marketing expenses?
- Which subsidy models and formulas will be utilized to determine the payment amounts?
- When resources are limited, should the model prioritize CCSP funds for the lower income employees over the higher income employees?
- What workforce outcomes does the agency seek to attain based on use of this program?
- How will the agency measure those outcomes?
- Where is the agency's workforce distributed? How will local market rates for child care impact program costs?

By addressing these questions, agencies can tailor their approach to funding and administering child care subsidies in order to meet the needs of their employees while adhering to budget constraints and policy requirements.

## Implementing Child Care Subsidy Programs

Agencies retain the autonomy to define financial need criteria and set parameters for their CCSP in a way that aligns with their specific mission and operational

environment. This flexibility ensures that agencies can tailor programs to address unique localities operational demands more effectively. To see an example of a child care subsidy program description, see Appendix A.

## Child Care Subsidy Policy Development

When developing a Child Care Subsidy Program Policy, agencies should start by setting clear objectives that align with organizational goals such as enhancing employee productivity, wellbeing, and job satisfaction through accessible and affordable child care. The policy should clearly define the program's scope, including eligibility criteria, conditions for ineligibility, covered child care providers and expenses, and the level of financial support provided.

Operational guidelines are essential for administering the program. By establishing these guidelines agencies can reduce the risk of mismanagement or misunderstandings amongst program participants. Operational guidelines should cover:

- Assessing the current state of child care costs and how it aligns with the agency's workforce;<sup>10</sup>
- Clearly defining eligibility criteria;
- Step-by-step processes for submitting and reviewing applications (agencies may consider utilizing [OPM Form 1644](#) or designing an agency-specific application form);
- Documentation required from participants;
- Process for invoice submission;
- Process for disbursing funds; and,
- Process for managing appeals or grievances.

Agencies should also plan for regular program evaluation and review, setting up data collection mechanisms (such as internal surveys, HR data variables, or manual processes) and defining success indicators for program implementation (such as number of employees applied, number of employees deemed eligible, number of

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<sup>10</sup> Agencies may consider annually reviewing the [National Database of Childcare Prices](#), or other trusted resource, to help make decision on eligibility criteria. This process should be clearly articulated in operational guidelines to ensure consistency and transparency.

employees served, number of children served, number of children supported per employee, participant program satisfaction, payment process efficiency, and total funds dispersed). This allows for ongoing assessment and necessary adjustments based on feedback from both employees and program administrators.

## **Notification Requirements for New Child Care Subsidy Program**

As stated in 5 CFR 792.204, Agencies choosing to develop a new Child Care Subsidy Program and/or policy must notify its Congressional Appropriations Subcommittee of its intent to implement such a program utilizing the below guidance to inform program design and administration processes. Upon notification to the appropriate Congressional Subcommittee, the agency must then notify OPM of its intent to implement the program.

## **Establishing Eligibility Criteria**

When developing CCSPs, agencies need to consider the criteria that is most appropriate for evaluating the financial need of employees. These considerations can include whether to set income-level thresholds (either based on individual salary or total family income), how much subsidy to provide relative to the total cost of child care—especially as it relates to the cost of quality child care available to employees based on their locality—and, whether a tiered or flat-rate system is most appropriate. These decisions significantly influence the accessibility and effectiveness of the subsidy.

Agencies possess the autonomy to develop an eligibility criterion that best works for their unique workforce while improving accessibility to CCSP. Regardless of the model selected, it is recommended that each agency's eligibility criterion should measure financial need against the Department of Health and Human Services' Administration for Children and Families rule that limits out-of-pocket child care expenses to 7 percent of household income. Special attention should be given to employees who face unique circumstances or have legitimate financial needs that may not be apparent through traditional eligibility criteria (as discussed in the "income considerations" section below).

Agencies are encouraged to innovate within the boundaries of the law to ensure that subsidy programs continue to evolve with the everchanging landscape of child care. By

considering the total landscape of an employee's circumstances, including non-traditional family structures and varying child care needs, agencies can enhance the relevance and impact of their subsidy programs.

## General Eligibility

Under Public Law 107-67, agencies have the authority to provide child care subsidy programs to qualifying full-time and part-time employees. While agencies may introduce specific eligibility requirements based on their program models and internal agency policies, the overarching goal is to foster a fair and accessible pathway for employees who possess a financial need to receive child care subsidy support.

## Income as an Eligibility Criterion

Previous guidance assumed that agencies would utilize total family income for determining eligibility. However, under this guidance agencies are not required to base all models strictly on employee income or total family income since taking such an approach cannot account for additional variables that determine employees' level of need. This subsection will outline employee income, total family income and additional options agencies can utilize in determining employee's level of need. While the primary measure of eligibility must include employee income (employee salary or total family income), OPM strongly recommends that agencies integrate the below considerations in a manner that allows for the holistic assessment of employee financial need to optimize accessibility amongst the workforce.

## Income Considerations

**Employee Salary:** Agencies may consider individual employee salary as a primary indicator of financial need, as it is a straightforward and uniform criterion for establishing eligibility across the agency's workforce. Although it may not fully capture the complexity of an employee's financial needs regarding child care, it provides a consistent baseline for assessment. Agencies utilizing employee salary levels should consider comparing their salary thresholds to both national and locality-specific median individual income levels annually, as a means of providing a program that reflects the economic landscape for that time.

**Total Family Income (TFI):** Agencies who do not utilize individual employee salary as their primary indicator of need may consider TFI as an alternative. TFI encompasses



the combined income of a child's parents or guardians as reported on their IRS tax forms or other acceptable verification documents (for example, last two pay stubs of all parties whose incomes are being assessed). While this method allows for a comprehensive view of an employee's financial resources, it may not adequately assess the financial resources of non-traditional families or reflect recent changes in family structures. Agencies using TFI should consider comparing TFI thresholds to both national median and locality specific family income levels annually, as a means of providing a program that reflects the economic landscape for that time period.

**Broader Financial Need Assessment:** While employee income must be the primary criteria considered for eligibility, there are considerations that may be made beyond standard income measurements. Agencies are encouraged to consider a holistic view of an employee's circumstances. For example, some agencies consider aspects such as the number of children, additional family and dependent care obligations, high-cost medical needs, availability of child care services, locality-specific costs, and legal obligations related to care may influence subsidy decisions into their income calculations. Other approaches might include assessing verifiable routine medical costs and subtracting those costs from the employee's income when determining program eligibility. Regardless of the factors incorporated in the assessment of financial needs, when incorporating multiple criteria in the eligibility consideration, an agency may consider assigning different weights to each criterion based on its importance.

## Criteria for Individual Discontinuation of Child Care Subsidy Program Participation

An employee may be deemed ineligible to continue participation in child care subsidy programs under the following circumstances:

- **Employment Status:** A process should be established that evaluate employees who receive a promotion or pay raise that may classify them as ineligible as related to agency eligibility criteria.
- **Employment Termination (Voluntary or Involuntary):** Employees who are no longer employed by the agency, whether the departure was voluntary or involuntary.



- **Fraud, Waste, and Abuse:** There is demonstrable evidence of employee misconduct involving misuse of funds or other significant offenses on the part of the federal employee.

Agencies are advised to limit the grounds for discontinuation to these factors and any other factors as required by law. This approach helps safeguard the health and wellbeing of the children involved and minimizes disruptions to their care.

## Selection Process

### Notification of Acceptance or Denial

Upon evaluating a Federal employee's application for the CCSP, the agency is required to formally notify the applicant of their acceptance or denial. If denied, the agency must provide a detailed explanation based on established policy and eligibility criteria--this step promotes transparency and fairness in the decision-making process.

### Child Care Subsidy Agreement

Once an application is approved, a formal agreement must be signed by both the employee and the agency. This agreement should include:

- The approved subsidy amount;
- Names of the child(ren) and the qualified caregiver;
- Address of the caregiver;
- Any relevant tax implications;
- Billing and invoicing protocols;
- Criteria for future ineligibility or removal from the program; and,
- Duration of agreement and renewal processes.

Agencies should establish a re-verification/re-certification process at least once per year to ensure employee's participating in the program are still eligible under the agency's criteria.

*(Note: See Appendix B for an example Child Care Subsidy Agreement)*

## Subsidy Models and Flexibility

Agencies are provided with a spectrum of models to structure their CCSP child care subsidy programs. Although the law allows significant flexibility, it is imperative that the chosen model respects the intent of the law and meets the fundamental goal of enhancing access to high quality affordable child care. Successful models incorporate several critical elements:

- **Current Child Care Prices:** Agencies should stay updated on both the local child care costs to ensure subsidies reflect real-time costs. Agencies can assess local child care prices by reviewing the most recent data from the [National Database of Childcare Prices](#).
- **Local Market Conditions:** Adjustments based on an employee's location are essential for aligning subsidies with the regional cost of living and transportation structures, ensuring fairness across different geographic areas for employees.
- **Income Proportionality:** Determining what portion of an employee's income should reasonably be allocated to child care can help inform child care subsidy need. The Department of Health and Human Services' Administration for Children and Families ([89 FR 15366](#)) suggests that out-of-pocket child care expenses for low income families should not exceed 7 percent of a family's monthly income. If the agency adopts a tiered system, the out-of-pocket child care costs as a percentage of income should be consistent (not decrease) from the lower income tiers to the higher income tiers. For instance, a lower income family receiving a subsidy should ideally pay a lesser percentage of the employee's monthly income in child care expenses than a higher income family that is also receiving a subsidy from that Federal agency.

## Steps for Selecting a Suitable Subsidy Model

**Step 1:** Choose a model that makes sense for the agency. The models presented in this guidance utilize threshold limits, but agencies are free to apply the criteria that best fits their workforce.

Select a subsidy model that aligns with the agency's operational goals and is easily understandable to employees. Whether implementing income thresholds to simplify eligibility or opting for a more nuanced approach that incorporates a broader lens on the employee's available resources, the chosen model should effectively address the

specific needs of the workforce, as well as maximizing their broader access to affordable quality child care.

**Step 2:** Decide on whether the agency wants a model that factors in total child care costs.

Decide if the subsidy calculation should consider the total child care costs incurred by a family or if a flat-rate subsidy per child is more appropriate. Incorporating total child care costs can provide more targeted financial support that is especially beneficial in varying cost environments. In addition, agencies may consider the implication of parents choosing high-quality child care centers, which may have higher costs but may also be more reliable with stronger outcomes related to child development.

**Step 3:** Determine the amount of subsidy employees can receive.

It is critical to ensure that the subsidy amount is substantial enough to meaningfully offset child care costs. For qualifying employees with the largest need, a minimal subsidy may not sufficiently cover the expenses of licensed child care, potentially limiting their access to necessary services or forcing them to make compromises in safety or quality of care.

(Implementation Note: While the guidance discusses potential subsidy amounts, actual payments are typically made directly to child care providers. This direct payment approach reduces the administrative burden on employees and ensures that funds are used for child care expenses.)

## Examples of Subsidy Model Calculations

This section provides four examples of subsidy models and presents key elements and how the subsidy rate is calculated for each of them. Examples discussed here include the most common subsidy models that can be adopted by participating agencies: market rate system, tiered system, flat system, and military model (non-threshold). An agency may choose to combine features of different subsidy models to best fit the intent of their program.

### Market Rate System

The Market Rate System is a more complex model than the others, but it is designed to help qualifying Federal employees, whose child care payments are significantly higher

in proportionality to their income than higher earners, access affordable child care by taking into account local economic conditions and the specific needs of families. This approach uses a variety of factors to ensure that agencies provide a reasonable level of child care subsidy without imposing income ceilings that could unduly limit accessibility.

## Key Elements of the Market Rate System

- **Weekly/Monthly Locality Adjusted Subsidy Rate Cap:** This is the maximum amount an agency will pay based on local child care prices and adjustments for costs associated with higher quality child care, employee location, inflation (if appropriate). Agencies may also set a percentage of child care costs that the agency aims to cover—up to 100%<sup>11</sup>. This calculation can consider weekly or monthly costs.
- **Employee's Affordable Child Care Cost:** This figure represents the maximum amount an employee is expected to affordably pay for child care based upon the outcomes of each agency's assessment of employee income as aligned with their eligibility criteria. This number can be established by each agency but ideally is consistent with the Department of Health and Human Service's recommendation of 7 percent ([per 81 FR 67438](#)) of family income.

## How the Subsidy Rate Cap is Calculated

To begin, agencies establish a base monthly cost by calculating the median child care rate as determined from the locality in which care is being provided. This includes various types of child care arrangements such as home-based, center-based, part-time, and full-time care. Agencies may then adjust this base cost by applying other cost considerations based upon local market conditions including transportation requirements and adjustments to account for costs of higher quality care. This adjusted figure is then multiplied by the established percentile factor (ideally 100% but this example will use 75% for the purposes of explaining the model) to set the monthly subsidy cap.

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<sup>11</sup> The percentage of child care costs an agency wishes to cover is up to the agency. While the ideal target would be 100% coverage for child care costs, agencies may find that applying a different number (for example, 75%) may be more appropriate for maximizing the reach of the program while remaining within budget for the fiscal year.

**EXAMPLE (Seattle, Washington):** The National Database of Child Care Prices has determined that the median weekly child care cost for toddler-aged children in a center-based child care environment in the state of Washington is \$248 per child.

Locality Adjusted Median Weekly Child Care Cost (Per Child): \$248.00

Subsidy Rate Cap per Week (agency covers 75% in this example)  $\$248.00 \times .75 = \$186.00$

For employees with multiple children, agencies should calculate the sum of the locality adjusted median weekly child care cost for each child before establishing the subsidy rate cap her week. In this example, if an employee has twins, their total locality adjusted median weekly child care cost would be \$496.00 and the subsidy rate cap per week would be \$372 (75% of employee child care costs are eligible for subsidy in this example).

### **How the Employee's Affordable Child Care Cost Is Calculated**

To calculate affordable child care costs, agencies first determine an employee's monthly gross income (based upon the income evaluation process established by the agency) and then apply the percentage that is considered affordable (this example follows the Administration for Children and Families' recommendation of 7%). The monthly cost is then divided by the average number of weeks per month (4) to determine the weekly affordable cost. It is important to note that the affordable monthly cost is an all-encompassing number and is not increased in any way by the number of children needing child care.

**EXAMPLE:** For an employee earning an annual salary of \$49,000, the monthly gross income is \$4,083. Calculating 7 percent of this income is \$285.83, translating to a weekly affordable child care cost of about \$71.

### **Determining Child Care Subsidy Amount**

In this model the agency pays the amount equal to 1) the difference between an employee's weekly child care cost and the employee's weekly affordable cost or 2) the previously calculated subsidy rate cap (in this case \$248), whichever is lesser.

Consistent with the examples above, we assume the subsidy rate cap for Agency X is \$248.00 per week, and the example employee's child care cost happens to be at the location- adjusted median weekly child care cost which is \$248.00. The subsidy

provided to the employee would be the lesser of the subsidy rate cap or the difference between the weekly child care cost and the weekly affordable child care cost.

The calculations would be as follows:

$$\$248.00 \text{ (employee's weekly child care cost)} - \$71.00 \text{ (Employee's weekly affordable child care cost)} = \$178.00 \text{ (cost gap)}$$

Since \$178.00 is less than the subsidy rate cap per week of \$186.00 for the employee's locality, the subsidy payment the agency would provide is \$178 per week. This calculation would be the same for the example employee with twins. That employee would have the following calculation:

$$\$248 \times 2 = \$496 \text{ (employee's total weekly child care cost)} - \$71.00 \text{ (Employee's weekly affordable child care cost)} = \$425.00 \text{ (cost gap)}$$

The difference in this example is that the cost cap of \$425 is more than the subsidy rate cap per week of \$372 (75% of the subsidy rate cap multiplied by the number of children receiving care) and as a result the agency would provide the lesser of the two, which would be \$372 per week in child care subsidy payments.

## Tiered System

In the Tiered Subsidy Model, agencies provide child care subsidies based on a sliding scale that correlates with employee income levels (either individual employee or TFI). This model is designed to enhance affordability by adjusting the subsidy rate according to the economic circumstances of each family.

This model sets a maximum income eligibility limit, assumed in this example as a TFI of \$80,000 although agencies may adjust this threshold based on their employee income criteria, mission requirements or local economic conditions.

Subsidies are calculated as a percentage of total child care costs, varying by income brackets. For instance:

- Families earning between \$70,001 and \$80,000 receive 30% of their child care costs.
- Those earning between \$55,001 and \$70,000 receive 40%.
- Families earning \$55,000 or less receive 70%.

Total Family Income	% of Total Child Care Costs Paid by the Agency
80,001 and above	0
70,001-80,000	30
55,001-70,000	40
55,000 and under	70

In the above example, if a family's total income is \$75,000 and the annual child care cost is \$6,000, the agency covers 30% (\$1,800), with the family contributing the remainder.

## Flat System

The flat system provides a predetermined subsidy amount that does not vary with the actual child care costs incurred but is based on income eligibility thresholds. This model simplifies the subsidy process by offering fixed support amounts, which can aid in budget predictability and administrative ease. Agencies are required to verify that costs do not exceed the total cost of child care as a means of preventing improper use of allocated funds.

In this system the agencies will set an employee income threshold. When setting the threshold, agencies are encouraged to consider local child care costs and how they relate to the agency's defined income threshold. The subsidy payments are then determined by a sliding scale based on income. An example of this model can be seen in the table below:

- The income ceiling for subsidy in the below program is \$80,000.
- Families earning between \$70,001 and \$80,000 receive \$2,000.
- Families earning \$55,001 to \$70,000 receive \$3,000.
- Those earning \$55,000 or under receive \$4,000.

Total Family Income	Subsidy Amount per Family
Over 80,001	-0-
70,001-80,000	2,000
55,001-70,000	3,000
55,000 and under	4,000

## Military Model (Non-Threshold)

This model specifies a sliding scale of child care rates a family is expected to pay **per child** and the agency pays the difference. Therefore, the amount the agency pays is calculated for each child in care. This chart is from the Military model<sup>12</sup>. The Military Model does not set a threshold amount but may set a cap on the amount of subsidies an employee may receive each fiscal year.

Category	Total Family Income	Range of Weekly Fees Per Child Paid by Employees
I	0 - 23,000	40-53
II	23,001 - 34,000	50-64
III	34,001 - 44,000	61-76
IV	44,001 - 55,000	74-86
V	55,001 - 69,999	88-100
VI	70,000+	103-114

For example, if a family's total family income is \$50,000 and it has one child in care, based on a midpoint of \$80-per week, the family will pay \$4,160 a year in child care costs and the agency will pay the remaining amount. The weekly rates are considerably below the market rates for similar child care.

Each of these example models present agencies with flexible approaches to distributing child care subsidies, allowing customization based on workforce demographics and financial realities. Agencies can choose their own models or modify any of the presented models to best meet their employees' needs while ensuring access to child care services.

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<sup>12</sup> This example of the "Military Model" is for example only. Agencies interested in this model should research appropriate weekly fee ranges that meet the needs of their workforce and the availability of funds to contribute to CCSP.



## CCSP Program Administration

Federal agencies have various options when it comes to deciding how to administer their child care subsidy programs effectively. Regardless of the chosen method, the program's administrative responsibilities encompass a range of tasks including:

- Marketing the program to their employees and measuring program awareness;
- Making subsidy application forms available;
- Making subsidy determinations;
- Notifying employees of the determination decisions (see Appendix C);
- Notifying employees of the agency's dependent care assistance plan (DCAP);
- Ensuring that all of the agreement documents are signed by all parties;
- Ensuring that the employees are using licensed and/or regulated child care, whether center-based care or family child care;
- Documenting and submitting the required reports to OPM;
- Evaluating workforce outcomes based on program utilization (e.g., recruitment, retention, and employee performance);
- Establishing an agreement to contract with an appropriate organization, if necessary; and,
- Evaluating the administration processes on an annual basis to identify opportunities to reduce the administrative burden associated with their programs.

## Contracted Administration with Vendors

5 CFR 792.205 allows agencies to contract out the administration of the child care subsidy program. This is a common approach that agencies have taken for program delivery and requires coordinating with the acquisition or contract office and maintaining a signed agreement on file. Contractors are expected to issue quarterly reports to the agency detailing the status of the child care subsidy program, which, at a minimum, should include:

- Total subsidy disbursements for the period.
- Enrollment details of children whose parents receive the subsidy.
- The count of Federal employees qualifying for and receiving the subsidy.
- Average reported family income of subsidy recipients.

- Average subsidy amounts per recipient.
- Details of child care providers servicing the recipients.
- Application statistics such as total applicants, applications in process, new approvals, ineligibilities, and denials due to budget constraints.
- Remaining balance of the agency's funds.

Agencies that are co-located are encouraged to partner with each other in an effort to maximize potential cost savings, when able.

(Note: A sample Statement of Work is provided in the Appendix D of this document that may be helpful for agencies that choose to contract for services.)

## Marketing Child Care Subsidy Marketing Programs

To ensure that an agency's program has the broadest reach possible within its workforce, it is essential to adopt a marketing approach for child care subsidy programs that leverages accessible and reliable communication channels. This section highlights some considerations agencies can utilize to successfully market their child care subsidy programs.

Agencies should consider marketing their programs through established, targeted communication systems that are already in place. This represents a low-cost, high-impact option for agencies as they look to amplify their program within their existing workforce. Some strategies to consider include:

- **Combining with Open Season Enrollment or Other Large Scale Initiative:** By combining Child Care Subsidy Programs with Open Season Enrollment marketing materials and/or briefings, agencies have the opportunity to directly connect with a large targeted audience that can drive levels of awareness throughout the workforce.
- **Leveraging Agency Intranet:** Utilize the agency's existing intranet to host a dedicated section for the child care subsidy program. This section can include downloadable application forms, FAQs, and contact information for program administrators. Regular news updates or spotlight features on the intranet can help keep the program visible.
- **Creating Posters and Flyers (Virtual or Physical):** Place posters and flyers in common areas such as break rooms, lobbies, and other common areas where

employees are likely to see them. These should provide succinct information on eligibility, benefits, and how to apply, along with a phone number or email for more information. In addition, agencies can consider creating electronic resources for easy distribution, especially amongst their geographically separated workforce (See Appendix E for example marketing language).

- **Email Communications:** Send out regular emails to the workforce detailing the program. These emails can include reminders about application deadlines and links to the intranet for more detailed information. Emails should include a contact for personal inquiries to ensure any barriers to participation are minimized.
- **Social Media Platforms:** Consider leveraging existing updates on an agency's social media platforms. Posts can highlight key aspects of the program, share success stories, and link back to any resources the agency has online about their current child care subsidy programs. Utilizing social media not only broadens the agency's audience but also allows for content to be shared by employees—ultimately increasing accessibility and visibility of the program, while also allowing the program to become a contributor to the agency's talent acquisition strategy.
- **New Employee Orientation:** Carve out time for a learning session about the child care subsidy program into new employee orientation. Providing handouts or creating a brief presentation segment can ensure that new hires engage with the program at the forefront and are aware of the benefits this program can bring to their families.
- **Supervisor Training:** Provide regular training opportunities to agency leaders. Supervisors who possess knowledge of this program, its benefits, and the application process can act as guides for employees seeking child care subsidy support.
- **Information Sessions:** Host regular information sessions, both in-person and via webinar, with availability for employees of all shifts the agency currently utilize. These sessions can guide employees through the application process answer any questions, or simply discuss the impact the program has had on the workforce. Agencies may also consider holding information sessions with groups of high influence or engagement, such as union representatives and employee resource groups.

- **Linking CCSP with other Parental Programs:** Agencies should consider providing information to on their CCSP to employees who are participating in paid parental leave or other family support programs.

Remember that all communications should clearly state the parameters of an agency's unique policy and outline program eligibility requirements for qualifying employees and child care providers. Additionally, it may be important to remind employees that while this is a program available to them as a benefit, it is not an entitlement, and is subject to availability of appropriations and agency discretion, and there are limitations to participation.

## CCSP Payment Requirements

### Qualifying Vendors and Professionals

A qualifying vendor is any child care provider who is classified as one of the three basic types of child care recognized by OPM, as defined previously in this guidance. All child care professionals providing care through Center-Based Child Care facilities, Home-Based Child Care facilities, or Child Care Delivered in a Federal Employee's Home must comply with the appropriate licensing, training, and/or other regulatory requirements of their state and locality to be considered qualified for Child Care Subsidy payment.

Agencies may use [OPM Form 1644](#) or other internal agency form to assess the qualification standards of a child care center or provider. It is noted that agencies should seek to limit the burden the provider faces when trying to enroll for child care subsidy payments.

### Distributing Child Care Subsidy Payments

Generally, 5 CFR 702.206 requires that agencies pay the qualifying Federal employee's child care subsidy directly to the child care provider. In most cases, child care providers will invoice the agency or contracted organization that has responsibility for administering the child care subsidy program through the appropriate payment processing system. Agencies are encouraged to utilize payment processing systems that minimize the burden of enrollment on child care providers and families. The use of easy-to-enroll platforms helps prevent providers from refusing to participate in CCSP and, ultimately, may increase access to affordable child care for agency employees.

An agency may make advance payments to a child care provider. Generally, advance payments may be paid to the child care provider when the provider requires child care payments one-month in advance of rendering services. Advance payments may not be made for more than one month in advance of receiving child care services. As an exception, agencies may not provide advanced payments of subsidies when they are contracted with another entity to administer their program. In those cases, only the contracted entity, after receiving the advance payment from the agency, will distribute the funds appropriately, but must be required to pay for services prospectively.

## **Direct Employee Payments**

As previously mentioned, the regulation instructs agencies to pay the child care provider directly in most cases. However, there are unique circumstances where it may be allowable for agencies to provide direct child care subsidy payments directly to the qualifying Federal employee:

- For overseas locations and/or employees, the agency may choose to pay the employee if the provider deals only in foreign currency; or,
- In unique circumstances, an agency may obtain written permission from OPM to do so.

Aside from overseas exceptions, before making any direct employee payments, an agency should receive approval from OPM by submitting a request explaining the unique circumstance supporting the need for direct employee payments (See Appendix F for Sample Memo for Requesting OPM Approval of Direct Employee CCSP Payments).

## **Overseas Employees**

Since child care licensing or its equivalent is not a requirement in all foreign countries, agencies can request direct payment to employees with respect to child care provided by a number of alternative child care providers that provide children a safe and appropriate environment. Examples include centers located near military installations and embassies, locally-regulated child care institutions, and child care services obtained by contracting for services with established international networks. In these cases, it may be infeasible to securely transmit payments to the child care center or provider securely; thus, agencies may choose to submit requests for OPM approval to make direct employee payments in such cases.

## Qualifying Unique Circumstances

The regulation states that direct payments may be provided to qualifying Federal Employees in unique circumstances, subject to OPM's written approval. In cases where an agency deems this to be the most appropriate way to provide child care subsidy payment, they must submit a request to OPM for approval with a specific rationale for the exception clearly articulated. OPM has identified the following reasons as qualifying unique circumstances (note: the below list is not intended to be exhaustive):

Unique Circumstance Category	Definition
Operational or Mission Risk	Direct payment to a child care center or alternative provider would introduce a risk to the ability of an agency to meet mission objectives or achieve operational goals/priorities.
Individual Safety	Direct payment to a child care center or licensed alternative provider would introduce risk to the security, safety, or ability of the employee to execute their role or maintain their safety when meeting mission requirements and agency needs.
Location-Based Child Care Provider Limitations	No child care provider in a particular location is capable of meeting the agency requirements for receiving direct payment for services rendered, or the child care provider in a particular location does not allow third-party payments. The agency and employee must provide adequate evidence showing efforts to identify and enroll with a qualifying child care provider.
Payment System Challenges or Security Concerns	The agency does not have access to a secure payment system to make payments in a particular location, or the child care provider is unable or unwilling to meet the requests of the agency to enroll in an approved payment system. The concerns regarding the security of the standard payment system must be well-documented and justify the need for direct payment.

## **Payments for Employees Serving with the National Guard or Reserves on Active-Duty Orders**

The law permits agencies to continue child care subsidies payments for eligible full-time employees who are called up for active duty during times of national emergency, or other qualifying events, so long as the employee has the relevant documentation proving activation (e.g., official orders). Agencies are encouraged to verify that the uniformed member is not receiving additional child care subsidy payments as a benefit of their active-duty status. An agency may provide additional subsidy to cover any gaps associated with the uniformed member's ongoing child care that the Department of Defense (or other responsible agency) does not cover for the uniformed member as a benefit of their active-duty status.

### **Prompt Payments**

Agencies must make all efforts to ensure payments for child care subsidies are paid prospectively in advance of services, based on the child's enrollment in the program, and processed in a timely manner to reduce the potential for discontinuation of child care or undue financial burden for qualifying Federal employees. Payments should be based on private-pay practices that account for child care fixed costs by paying in advance of or at the beginning of the delivery of services and paying child care providers based on a child's enrollment or an alternative approach that does not undermine stability of the child care services. Payments should not be calculated based on the child's days attending care or be reduced based on a child's absence or illness, to the extent practicable. Agencies must report any backlogs or delays to OPM in their annual reporting requirements and provide documentation to explain actions taken to mitigate any potential hardship on program beneficiaries.

### **Considerations for Software Systems and Processing**

When assessing payment processing software and platforms for child care subsidy programs, agencies should prioritize systems that minimize risk to all parties involved, including the agency, employees, and the child care providers receiving payments. It is crucial that these systems maintain appropriate security features to protect sensitive information and prevent fraud. Additionally, the software should ensure ease of access for external child care providers, facilitating a straightforward enrollment process and simple invoice submissions. By avoiding overly complex system requirements,

agencies can encourage greater participation from child care providers. While agencies are free to utilize the systems they deem most appropriate, consideration of these best practices can help agencies implement effective, secure, and user-friendly subsidy payment systems.

## OPM Reporting and Data Collection for Child Care Subsidy Programs

### Overview

OPM annually collects data from agencies to identify trends, best practices, and outcomes related to Child Care Subsidy Programs. This ongoing evaluation helps track the implementation and accessibility of these programs across various Federal government agencies.

### OPM Required Reporting

As outlined in 5 CFR 792.204, OPM will conduct an annual call for data in November of each year. The call for data will be issued through electronic survey and encompass the previous fiscal year. This reporting process will allow OPM to analyze program data and publish findings regarding the aggregate outcomes of child care subsidy programs across participating agencies.

It is vital for agencies to align their reporting with OPM's guidelines to maintain transparency and accountability. The collected data supports OPM's broader goals of enhancing the accessibility of child care support for qualifying employees, providing meaningful data evidencing the benefits of these programs for Federal employees, and supporting further workforce data evaluation.

By adhering to these guidelines and considering additional metrics for evaluation, agencies can ensure that their child care subsidy programs are effectively meeting the needs of their workforce while providing critical insights into the future expansion of these critical programs.



## Data Collection Guidance

Agencies are required to comprehensively measure and report the impact of their Child Care Subsidy Programs. At a minimum, agencies must capture the following data in preparation for responding to OPM's Annual Call for Data:

- Total amount of funds disbursed for the subsidy program on an annual basis.
- Subsidy Amounts:
  - Highest weekly amount awarded.
  - Lowest weekly amount awarded.
  - Average weekly amount awarded.
- Employee Participation:
  - Total number of employees who have applied for the child care subsidy program.
  - Total number of employees eligible for the child care subsidy program.
  - Number of employees who received the subsidy.
  - Breakdown of recipients by grade level.
- Child Impact:
  - Total number of children who benefited from the subsidy.
- Care Facilities:
  - Types of child care utilized.
  - Total number of centers involved.
- Operational Definitions and Models:
  - How agency defines "lower income employee" (program eligibility criteria).
  - Summary of the child care subsidy eligibility model (e.g., TFI, Tiered).
- Fund Usage:
  - Any restrictions placed on the use of the funds, noting that restricting the subsidy only to accredited child care providers is prohibited.
- Program Administration:
  - How the subsidy program was administered, including associated administrative costs.

## Additional Guidance for Enhanced Reporting

To further refine the reporting data and enhance the evaluation of child care subsidy programs, agencies may also consider including the following in their annual report:

- **Agency Progress on Identified Success Indicators:** Agencies should identify key indicators of success for their CCSP and report on those success metrics annually. Common indicators recommended by OPM include percentage of eligible employees participating in the program, program satisfaction and other experience ratings, efficiency metrics regarding payment processing (for example number of on-time payments versus delayed or backlogged payments), and/or total funds dispersed in support of the agency's CCSP.
- **Employee Feedback:** Summaries of feedback from employees utilizing the subsidy, highlighting areas of satisfaction and concern. These items can be helpful in identifying limitations in existing programs.
- **Impact Assessment:** An agency may consider measuring the impact child care subsidies has on employee wellbeing and engagement through the use of internal surveys or assessments. These data points can help solidify the business case for program expansion.
- **Best Practices:** Documentation of any innovative practices or successful models that could be replicated across other agencies.

## Additional Considerations

### Leadership Support and Strategic Planning

Gaining leadership support for the development or expansion of child care subsidy programs is crucial and can be effectively achieved through the presentation of data-driven evidence and benchmarking across Federal agencies. By demonstrating the tangible benefits of these programs through statistical outcomes—such as improvements in employee retention, job satisfaction, and productivity—leaders are more likely to recognize the strategic value of investing in child care supports, and can track overall potential agency savings, such as from reduced employee absenteeism and turnover. This type of research can be completed through existing data collection practices including pulse surveys, stay surveys, or program participation reviews. Furthermore, benchmarking the success of existing programs within various Federal

agencies provides may reveal compelling evidence of their impact. This approach not only highlights best practices but also showcases any positive correlation between child care support and enhanced workforce capabilities. Leaders are thus provided with clear, empirical evidence that underscores the return on investment from these programs, aligning child care subsidies with broader organizational goals and ensuring robust support for their implementation and expansion.

## **Tax Limitations/Implications**

Child care subsidies received under this program are generally considered taxable income for the employees who benefit from them, as specified under [26 U.S.C. § 61](#) and [26 CFR § 1.61-1](#). Participating employees should be advised to consult with financial advisors to understand the specific tax liabilities associated with these subsidies.

Potential tax exemptions do exist for qualifying employees. The IRS allows for certain exemptions if the child care subsidy program is implemented as a Dependent Care Assistance Program (DCAP), as described in [Section 129 of the Internal Revenue Code](#). Under this provision, employees may exclude up to \$5,000 (\$2,500 for married filing separately) from their gross income. To qualify for this exclusion, the child must be claimed as a dependent on the employee's federal income tax return. Additionally, for a disabled child to qualify for the exemption, they must meet specific criteria outlined in [26 CFR 1.21-\(b\)\(4\)](#).

OPM strongly recommends that agencies develop a dependent care assistance plan (DCAP) to facilitate these tax benefits for employees. For more detailed guidance on setting up a DCAP and understanding its tax implications, agencies may refer to [IRS Publication 503, "Child and Dependent Care Expenses"](#) and contact the IRS Office of the Associate Chief Counsel (Employee Benefits and Exempt Organizations).

## **Conflict of Interest Provisions for Federal Employees in Child Care Subsidy Administration**

Federal employees who serve on the governing boards of non-profit organizations, including child care centers, are subject to specific restrictions under federal law to prevent conflicts of interest. Under 18 U.S.C. § 205, Federal employees are generally prohibited from engaging in certain representational activities before the government. However, there is an exception that allows Federal employees to represent nonprofit

organizations—provided that the majority of the organization’s members are current Federal employees or their spouses or dependent children—without compensation. This representation must align with the faithful performance of the employee’s official duties and must not involve seeking federal funds for the organization. For example, a Federal employee who serves on a child care center’s board is not allowed to contact an agency to seek subsidy funds for that center. Such actions must be taken by individuals who are not Federal employees.

Additionally, under 18 U.S.C. § 208, Federal employees are prohibited from participating personally and substantially in any official capacity in matters in which the Federal employee, their spouse or their minor child, or an organization in which the Federal employee is serving as officer, director, trustee, general partner, or employee, has a financial interest. For example, a Federal employee who serves on a child care center’s board may not be involved in decisions made by their agency regarding whether to provide subsidies for children at that center.

These conflict-of-interest provisions ensure that employees do not improperly influence decisions that could lead to a financial benefit for organizations with which they are affiliated, thereby maintaining the integrity and impartiality of program administration.

## **Collective Bargaining Obligations**

This guidance does not override existing collective bargaining agreements which address policies on child care subsidy programs for bargaining unit employees. Agencies should review applicable collective bargaining agreements which may have additional or different requirements regarding the matters covered by this guidance. When agencies update or establish policies on child care subsidy programs, agencies should satisfy collective bargaining obligations, if applicable.

## Appendix A: Sample Ideal CCSP Program Framework

Although agencies maintain the autonomy to determine how Child Care Subsidy Programs (CCSP) are administered, OPM is providing a benchmark for agency consideration. Agencies who seek to develop and expand their CCSP to optimize levels of accessibility and more effectively impact employees and their families should follow the following programmatic framework. This framework was derived through reported best practices in program administration as identified through subject matter experts and agency feedback, as well as a broader focus on enhancing program access across the Federal workforce.

Program Component	Recommended Approach
Funding Source	Agencies should utilize funds allocated for salaries or expenses to support the CCSP to the maximum extent feasible. Prior to the fiscal year's start, agencies should forecast the amount of funds required, considering the agency's mission, resources, and the number of employees with financial need.
Eligibility Criteria - Income	<p>Ideal programs will base employee eligibility primarily on employee income. Agencies are strongly encouraged to blend additional considerations for a holistic assessment of financial need, including dependent medical needs, additional care obligations, and locality-specific costs.</p> <p>Agencies should establish processes for re-evaluating their eligibility criteria to ensure that their programs are fair and aligned with the intent of the Agency's unique policy.</p>
Income Ceiling	<p>It is recommended that agencies refrain from establishing a formal income ceiling. Income ceilings can be restrictive and do not always take into consideration other variables that impact an employee's net income or affordable child care threshold.</p> <p>If an agency decides to establish an income ceiling, that ceiling should be established annually with consideration made toward the trending changes in child care costs and the percentage of income an employee can reasonably afford to pay based upon the <a href="#">Department of Health and Human Services</a> guidance on child care access and affordability.</p>
Subsidy Approval Process	Prioritize applications by employees experiencing the highest cost burdens relative to their income, based on employee income and evaluation of other financial needs an employee may experience, with established application windows for subsidy requests.

Program Component	Recommended Approach
Employee Category Eligibility	Subsidies should be available to all Federal employees who meet the eligibility criteria, ensuring equal accessibility across the workforce. The term “employee” is defined within this guidance for further reference.
Program Administration Costs	<p>Ideally, agencies would allocate at least one full-time equivalent (FTE) for the administration and management of the CCSP, including considerations for staff salaries and marketing expenses.</p> <p>If an agency chooses to contract services to support the administration of these services, it should carefully weigh the expense of such contract and provide strong government oversight to ensure program effectiveness and alignment with the strategic outcomes the agency is trying to achieve.</p>
Subsidy Models and Formulas	<p>The Market Rate Model is recommended for determining the subsidy amount. It actively adjusts for local child care markets and allows agencies to assess each unique employee’s affordable child care costs, as well as identifying the maximum subsidy the agency should reasonably offer.</p> <p>Regardless of model, agencies should work to help reduce the employee’s child care cost burden to meet the recommended percentage of employee pay as outlined by the Department of Health and Human Services; in FY 24, this number was 7 percent.</p>
Program Evaluation	<p>Agencies should report outcome data annually to OPM during the annual data call, with regular data collection throughout the year to assess emerging needs and the overall impact of the CCSP.</p> <p>Agencies are strongly encouraged to assess impact data and testimonials to provide strong support for operational impacts and to use in the development of a business rational for future program expansion.</p>

## Appendix B: Sample Child Care Subsidy Program Description

### General Information

Public Law 107-67, Sec. 630, permits Federal agencies, at their discretion, to use appropriated funds otherwise available for salaries and expenses to assist employees with a financial need with child care costs. *(Insert Department Name)* has chosen to establish this program for its lower income employees.

The *(Insert Department Name)* Child Care Subsidy Program is operated on *(a first-come, first-served basis or other defined process the agency has made for employee selection)* for eligible employees. Approved applications postmarked by *(insert date)* will be effective with the beginning date of the program. Approved applications received after *(insert date)* will be effective the Monday following the week of postmark. If all agency funds have been committed, new applications will be placed on a waiting list.

### Eligibility

*(Insert Department Name)* has established the following formula for determining both eligibility and the amount of the child care subsidy: *(insert model and give an example)*

### Administration of the Program

*(Insert Department Name)* has chosen *(insert name of organization administering the program)* to administer the Department's Child Care Subsidy Program. The Organization will receive the child care subsidy applications, make the subsidy decisions, and notify the applicants and the child care provider of the decision. The subsidy will be paid to the child care provider by the organization administering the program unless unusual circumstances are present that permit the employee to be paid directly or the employee meets the direct payment criteria for employees serving overseas.

### How to Apply

Complete the child care subsidy program application, have your child care provider complete the [Child Care Provider Information Form](#), and mail the documents with all necessary attachments to: *(insert name of organization and address)*. You will receive a letter of notification about the decision on your application. (Please note: child care providers must meet any criteria set forth by the employee's home agency to receive

federal funding. For questions regarding eligibility, providers can contact the agency's Child Care Subsidy Program administrator.)

If you have questions about the program or your application, please call (*insert name of organization administering the program and their phone number*).

All information is kept strictly confidential. Identification of the applicant is known only to the (*insert name of organization*). Once the subsidy award is made, only the amount of the subsidy award and name of the applicant are provided to the child care provider and to your employer for tax purposes only.



## Appendix C: Sample Child Care Subsidy Award Letter for Parents

Dear \_\_\_\_\_

We are pleased to inform you of our decision to authorize you \$ \_\_\_\_\_ per week toward your child care costs at the *(insert name and address of child care provider)*. The child care subsidy will be paid directly to your child care provider and your subsidy bill will be credited for this amount.

The subsidy will take effect beginning on *(insert date)* and will expire on *(insert date)* or when your child leaves the center, or when you leave your agency, whichever comes first.

You must notify, in writing, *(insert name of organization)* if and when your child is no longer enrolled in the child care program you listed on your application. You must reapply for a child care subsidy should you change your child care arrangements.

By accepting this subsidy, you assure that all information you presented in your application was accurate. Fraudulent statements will result in loss of the subsidy and/or repayment of the amount of the subsidy. To accept the subsidy, please sign the attached agreement immediately and return it to *(insert name and address of organization that administers the tuition assistance program)*.

You will be required to submit a new tax return by April 15th each year to the Child Care Subsidy Program office. You will receive a new subsidy letter effective May 1st based on the income on your tax return.

If you have any questions about the child care subsidy program, or your subsidy in particular, please do not hesitate to call *(insert name and phone number)*.

Sincerely,

## Appendix D: Sample Child Care Subsidy Agreement Between Employee and Agency or Organization that Administers Funds

From: (Names of parents or guardians)

Address:

To: (Organization that administers the child care subsidy program)

Address:

Subject: Child Care Subsidy Granted Weekly Amount of \$\_\_\_\_\_ for (insert name of child) to attend the *(insert name and address of child care program)*.

I/We agree to accept the child care subsidy grant of \$\_\_\_\_\_ per week. I/we understand that the award becomes effective *(insert date)* and remains in effect until *(insert date)* or the date when the child is no longer enrolled in the child care program named in this agreement, or the date I/we leave the agency, whichever occurs first.

I/we agree to notify *(name of Organization)* if and when our child is no longer enrolled at *(insert name of child care program)*.

I/we agree to submit a new tax return by April 15<sup>th</sup> to the appropriate program administration office. I/we understand any changes to my subsidy based on my/our tax return will be effective May 1st.

I/we understand I/we will be billed by the *(insert name of child care provider)* for the prevailing child care rate. If the child care rate is increased during the subsidy period and an application is submitted to adjust subsidy amounts, we understand the amount of the subsidy may not change.

Parent Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Parent Signature: \_\_\_\_\_ Date: \_\_\_\_\_

To activate your subsidy, return this form to:

*(Insert name and address of organization administering the program)* Your child care subsidy will not become effective unless this form is returned to the organization named above. It verifies your child will be enrolled in the program you indicated on your application form, and you agree to report the events listed above.

## Appendix E: Sample Statement of Work for Contractors

(Disclaimer: Agencies should work with their local contracting or procurement offices to support contract needs to ensure compliance with agency procurement policies and processes)

### Background

The Agency is soliciting proposals from qualified organizations to administer the Agency's child care subsidy program. Congress enacted Public Law 107-67, Sec. 630, on November 12, 2001. This legislation permits Federal agencies to administer a program to assist employees with financial needs with the costs of child care. The contractor will administer the program on behalf of the agency for the period from the date of award through the time this program expires or the agency chooses another administrator. Child care subsidies can reduce the amount of costs parents pay for child care by providing subsidies directly to the child care provider. To be eligible to participate, a child care provider must be a center-based child care center, a home-based child care center, or child care based in the employee's home, which is licensed and/or regulated by the State and, where applicable, local authorities where the service is provided (i.e. the provider must meet all requirements of its particular jurisdiction).

### Requirements Overview

(Insert *Agency Name*) requires a contractor to demonstrate it has the ability to effectively manage (Insert *Agency Name*) child care subsidy program. In responding to this RFP each entity must submit a technical proposal that demonstrates its ability to perform the following services:

- Handle all administrative tasks associated with the child care subsidy program appropriately and efficiently.
- Help the (Insert *Agency Name*) design publicity material and help design the agency's child care subsidy program applications.
- Maintain confidentiality of all the information contained in the child care subsidy program applications.
- Notify the parents and the child care provider of the amount of the subsidy that each family will receive and the effective dates.

- Determine the eligibility of child care providers to receive Federal funds (all must comply with all applicable licensing and other regulatory requirements) by:
  - Requiring each child care provider to submit a copy of any current license and any statement of compliance from anybody charged with regulating that provider;
  - Requiring child care providers to submit their taxpayer identification numbers;
  - Ensuring that licensed child care providers understand that if, for whatever reason, the provider is no longer licensed or subject to regulatory oversight or is not in compliance with applicable regulations, the provider will immediately notify the contractor and the Federal employee whose child is enrolled in the child care program. In such cases, the provider will no longer be permitted to receive the child care subsidy;
- Review monthly invoices for the child care subsidy amounts from the child care providers and provide payment, if appropriate, based on the invoiced amount no later than 30 calendar days after the date of the invoice. The contractor will pay the child care subsidy tuition assistance directly to the child care provider, and not to the Federal employee, unless OPM has approved payment directly to the employee or the employee meets the criteria for direct payments to employees working overseas;
- Ensure that the child care provider submits a written invoice, on a monthly basis, to the contractor (Note: Child care subsidy will be quoted as weekly amounts and the invoices must be prepared using full week amounts unless the child leaves the program during a particular week); and,
- Provide the agency with monthly reports for tax purposes if payments do not qualify for the Dependent Care Assistance Plan (DCAP) exclusion.

### **Child Care Subsidy Program Eligibility and Determination of Subsidy Amount**

The contractor will issue quarterly reports to the Agency on the status of the Agency's child care subsidy program. Reports will contain the following information and will be due on the fifteenth day following the end of the quarter:

- The amount of child care subsidy disbursed in a given month;
- The number of children enrolled whose parents receive the child care subsidy;

- The number of Federal employees from the agency who qualified for and received the subsidy;
- The total family income of each family that receives a child care subsidy;
- The amount of the weekly child care subsidy for each recipient;
- The name and address of each child care provider that provides services for the child care subsidy recipients;
- The number of total applicants for the month;
- The number of applications in process;
- The number of new child care subsidies approved;
- The number of applicants who were ineligible;
- The number of applicants who were denied assistance due to lack of agency funds; and
- The remaining balance of the agency's funds.

### Proposal Submission Requirements

- **Technical Proposal:** Offerors must submit an original and two copies of a technical proposal which demonstrates the approach they will use to provide all the services described in this statement of work. Additionally, offerors should include in their technical proposals information demonstrating they have experience in administering similar programs, and references to contact to determine their past performance in administering similar programs.
- **Price Proposal:** Offerors must submit an original and one copy of a pricing proposal that indicates the total, firm, fixed price for providing these services. The total price should be broken down to show the individual pricing elements that go into the total price proposed.

### Proposal Evaluation

Offeror's technical proposals will be evaluated against the following criteria. They are stated in descending order of importance:

- Offeror's proposed approach to administering this program.
- Offeror's corporate experience in administering similar programs.
- Offeror's past performance in administering similar programs.

## **Award Determination**

The successful offeror will be chosen primarily on the basis of their ability to successfully perform these services as demonstrated in their technical proposal. The *(Insert Agency)* will also consider the total cost to perform these services in making its award decision. However, in making the award decision, technical excellence will be more important than cost and the government reserves the right to make award to the offeror whose proposal provides the best value to the government, even if that offeror did not offer the lowest cost bid.

## Appendix F: Sample Marketing Language

### Department [X]

#### Child Care Subsidy Program

P. L. 107-67, Sec. 630, permits Federal agencies to assist employees with a financial need with child care costs through a subsidy program.

If you meet the Department's eligibility criteria, your child care costs might be reduced!

The Child Care Subsidy Program applies to eligible employees whose children are age 13 or under, or disabled children through age 18, and are enrolled, or will be enrolled, in center-based child care, home-based child care, or child care based in the employee's home (5 CFR 792-214). The child care provider must be licensed and/or regulated by State and/or local authorities.

The deadline for the upcoming Child Care Subsidy Program enrollment period is \_\_\_\_\_.

*(Note: Exceptions exist for employees to enroll in the program beyond the initial deadline if they experience changes to their circumstances such as loss of family income, birth of a new child, or additional caregiving/medical responsibilities)*

**Call:** *(insert name, phone number and address of organization administering the program for the Department or insert name and phone number of the Department's contact)* or visit our website at:

## Appendix G: Sample Memo for Requesting OPM Approval of Direct Employee CCSP Payments

### (Official Agency Letterhead)

[Date]

U.S. Office of Personnel Management

1900 E Street NW

Washington, D.C. 20415

Subject: *(Insert Agency Name)* Request for Authorization to Provide Child Care Subsidy Payments Directly to Employee(s)

*(Insert Agency Name)* requests OPM authorization for the Child Care Subsidy Program payments to be paid directly to a qualifying employee who meets the criteria of “unique circumstances” as outlined in 5 CFR 792.206(a)(2), which states “In unique circumstances, an agency may obtain written permission from OPM to pay the employee directly”.

*(Insert Agency Name)* has established a Child Care Subsidy Program (CCSP) as authorized Public Law 107-67, Section 630. Normally, [Agency Name]’s CCSP program provides payment directly to the child care provider in a timely manner; however, in some circumstances this process is unfeasible due to circumstances beyond [Agency Name] control. In these instances, [Agency Name] utilizes an internal process to determine whether or not a request for OPM approval of direct employee CCSP payments is warranted.

*(Insert Agency Name)* views direct employee CCSP payments to be warranted, and requests OPM approval to make direct payments. The rationale is as follows [provide a detailed explanation of the rationale].

We thank you for your consideration in this matter and can be reached for questions regarding this request at *(insert email)* and/or *(insert phone)*.





## **U.S. Office of Personnel Management**

Workforce Policy and Innovation  
1900 E Street NW, Washington DC 20415

[OPM.gov](https://www.opm.gov)