

POLICY ISSUE NOTATION VOTE

June 12, 2001

SECY-01-0106

FOR: The Commissioners

FROM: William D. Travers
Executive Director for Operations

SUBJECT: CHILD CARE TUITION ASSISTANCE

PURPOSE:

To present the staff's findings regarding other agencies' child care tuition assistance programs and their experiences in implementing such programs, and to propose a plan to implement the program in the NRC.

SUMMARY:

In 1999, Congress authorized agencies to use their own funds to help their lower income employees offset the costs of child care. The NRC chose not to implement the program, but in August, 2000, the Commission directed the staff to monitor legislative developments relating to child care tuition assistance and the experiences of other agencies. The staff has since gathered and reviewed information relating to childcare tuition assistance programs implemented by other Federal agencies. The findings of that review are presented in this paper. A program plan for implementing the child care tuition assistance option in the NRC is also presented.

BACKGROUND:

In September, 1999, Congress enacted Public Law 106-58, permitting Federal agencies to use funds appropriated for salaries to help their lower income employees with the costs of child care. Each agency was given latitude to decide whether to implement the law for its own employees. Agencies that chose to offer tuition assistance were to define "lower income employees" to suit their own workforce and needs. The initial legislation was effective through September 30, 2000.

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Public Law 106-554, effective October 1, 2000, extended the tuition assistance authorization through the end of FY 2001 and authorized that funds appropriated for expenses, in addition to those appropriated for salaries, could also be used for the program.

The child care tuition assistance program is intended to help defray some of the expenses incurred by lower income employees to provide child care for children age 13 and younger, which in turn is intended to improve the morale and quality of worklife of agency employees, enhance recruitment and retention, and improve agencies' competitiveness with many firms in the private sector. The child care must be provided in a licensed facility (e.g., a licensed child care center, a child care home licensed by the appropriate local jurisdiction, a licensed after-school care program). Payments from the agency to cover a portion of child care expenses are made directly to the appropriate child care facility. Such payments are generally considered income to the employee for tax purposes.

DISCUSSION:

After the enactment of the original legislation in 1999, many agencies were reluctant to adopt the program. Uncertainty about whether the legislation would be continued or renewed beyond its original expiration date of September 30, 2000, and the availability of agency funds to support the program were the primary reasons expressed. Additionally, implementing regulations from the Office of Personnel Management (OPM) did not appear until March, 2000, so agencies had little guidance to follow in structuring their programs. Many also felt that there would be little benefit to their employees in establishing a program, identifying recipients, and undertaking tuition assistance payments, for a period that could be as short as three or four months before the expiration of the legislation.

As it began to appear likely that authority for the tuition assistance would be extended through the end of FY 2001, however, more agencies began to develop programs. As information from agencies became available, the staff of the Office of Human Resources (HR), working with OPM's Family-Friendly Workplace Advocacy body, analyzed agency plans to determine how each was structured, how each agency defined "lower income employees," the total budget the agencies allocated for the tuition support, and the amount or percentage of costs reimbursed to eligible employees for child care expenses. From this analysis, we have developed a plan under which NRC could offer this benefit to the agency's lower income employees, *if the authority for the program is extended beyond its current expiration date of September 30, 2001.*

1. Plan Elements

In March, 2001, OPM submitted a report to Congress, "Child Care Subsidies in the Federal Government," summarizing agency programs and experiences during the first 11 months of the child care tuition assistance program, from March 14, 2000, to February 15, 2001. The report is Attachment 1 to this paper. The following information is from the OPM report, with additional data obtained from program representatives in other agencies, where it was available.

The elements common to agency plans, elements that NRC will need to address if it implements the program, are: (1) a decision regarding the total amount of assistance the agency will allocate for this purpose; (2) the definition of "lower income employee" to use in determining employee eligibility; (3) a process or formula to determine the amount of assistance that will be provided to each eligible employee; (4) a means of informing employees about the program and how to request tuition assistance; and (5) a means of disbursing the tuition assistance. Each of these elements as it relates to experiences in other agencies is addressed below.

Agency programs

a. amount of assistance allocated for the program

The staff obtained information from some agencies regarding the amount the agency initially budgeted for the program, and OPM's report to Congress includes the amount each agency actually disbursed over the reporting period. Information regarding the *per capita* amount budgeted by each agency is shown in Attachment 2. Disbursements ranged from \$922 at the U.S. Mint to nearly \$160,000 at the General Services Administration.

b. definition of "lower income employee"

The legislation allows each agency to define "lower income employees" as it chooses. All agency programs use "Total Family Income" (TFI) as the major criterion for "lower income." TFI is defined as the employee's **family** Adjusted Gross Income (not the income or salary of the employee alone) as reported on the immediately preceding year's Federal income tax forms. An agency employee who pays for child care may be eligible for tuition assistance from the agency if his or her TFI is below the threshold set by the agency. TFI thresholds set by agency plans vary from a high of \$75,000 at the Overseas Private Investment Corporation to a low of \$25,500 at HUD.

c. a formula to determine the amount of assistance provided to each eligible employee

Agency plans typically set assistance payments on a sliding scale that covers a higher percentage of the child care costs for lower income employees, with lesser percentages paid to families with higher TFI. For example, the Office of Personnel Management's TFI limit is \$52,000. The agency pays 20% of child care costs for an employee whose TFI is at that level, but 50% of child care costs for an employee whose TFI is under \$32,000. The Department of Veterans Affairs, whose TFI limit is also \$52,000, pays 35% of child care costs for employees whose TFI is \$22,000 or less, but only 15% of costs for employees whose TFI is between \$42,000 and \$51,999. Some agency plans cap reimbursements at a specified dollar amount per employee per month or year.

d. informing employees about the program and providing application materials

Most agencies have made their program plans and documents available on their intranets, and some have posted summaries on OPM's Family-Friendly Workplace Advocacy Coordinators' website. Application materials are developed by each agency to gather the information needed to determine employee eligibility and to capture data required for internal reporting purposes and for required reports to OPM.

e. a means of disbursing the tuition assistance

Most agencies contract program administration to an outside entity (usually the Federal Employees Education & Assistance Fund [FEEA], a non-profit organization that administers scholarships for Federal employees and their

children). The outside organization usually verifies child care attendance, provider licensure, family income, and other data, and makes disbursements directly to the child care provider. Contracting out avoids any appearance of partiality in approving tuition assistance and ensures confidentiality of employee income and tax (TFI) information. The costs of outside administration are approximately 5% of the total budgeted for the program.

NRC PROPOSED PROGRAM PLAN:

After reviewing the child care tuition assistance plans of Federal agencies, the staff has developed a plan for the NRC. If the authorizing legislation is extended beyond September 30, 2001, we propose to implement the plan early in FY 2002. The plan takes into account the 5 elements discussed above and proposes (1) a total allocation, (2) a definition of lower income employees, (3) a reimbursement formula, (4) a communications plan outline, and (5) outside administration of the program. On the basis of what the staff has learned of the experiences of other agencies that have implemented this program, we believe an initial allocation of \$50,000 per fiscal year will enable the agency to implement an effective program, gauge its effectiveness at mid-year, and make whatever adjustments may be necessary based on our own experience. Implementing a child care tuition assistance program will benefit the NRC by making it easier for lower income employees to balance their home and work lives, by reducing absenteeism related to child care problems, and by improving employee retention, morale, and productivity.

a. amount of assistance allocated for the program

The Office of Human Resources (HR) recommends that \$50,000 be allocated initially, subject to review and evaluation at mid-year. If usage is higher than expected, HR would either use a "first-come/first-served" approach to cap assistance payouts, lower program reimbursement levels, or request additional funds. If the amount allocated exceeds requests for tuition assistance, the agency could choose to increase its TFI threshold to make more employees eligible or could make its reimbursement amounts more generous. This amount is the equivalent of approximately \$18.00 per employee per year; see Attachment 2 for comparisons with other agencies' per-employee allocations.

b. definition of "lower income employee"

Any full-time permanent NRC employee, Headquarters and regional, who has a child in a qualifying facility or licensed child care home and whose Total Family Income does not exceed \$65,000 would be eligible to apply for assistance under the program.

c. a formula to determine the amount of assistance provided to each eligible employee

The NRC plan proposes a sliding scale to determine the level of reimbursement for qualifying child care expenses, up to an individual annual maximum of \$4,000. The following chart shows how expenses at different TFI levels would be reimbursed. Attachment 3 gives examples of the reimbursements at different TFI levels.

TOTAL FAMILY INCOME	NRC CONTRIBUTION*
\$25,000 or under	50% of actual costs
\$25,001 - \$35,000	40% of actual costs
\$35,001 - \$45,000	30% of actual costs
\$45,001 - \$55,000	20% of actual costs
\$55,001 - \$65,000	10% of actual costs

*\$4,000 annual maximum per family

- d. informing employees about the program and providing application materials

A proposed yellow announcement to all employees about the NRC's program is included in this paper as Attachment 4. If this plan is authorized by the Commission, HR will develop the necessary supporting application forms.

- e. a means of disbursing the tuition assistance

Administration of the NRC program would be contracted out competitively. This will ensure both impartiality in the approval of tuition assistance and confidentiality of employee income and tax information. The cost of outside administration is approximately 5% of the total amount budgeted for the program, or \$2,500. The contractor will determine eligibility, verify the TFI of NRC employees who apply for assistance, verify that child care providers applying for reimbursement are licensed by appropriate local authorities, disburse funds directly to the providers, and provide summary reports to the NRC.

SUMMARY:

The staff has reviewed the current legislation affecting child care tuition assistance for Federal employees, as well as the program plans of other agencies that have implemented assistance programs for their employees. On the basis of this review, the staff has developed a plan for implementing the option in the NRC, *if the authorizing legislation is extended beyond September 30, 2001*. The staff believes that offering this benefit to qualifying NRC employees will benefit the agency by reducing absenteeism related to child care problems, and by improving employee retention, morale, and productivity.

Resources in the amount of \$50,000 are included in the FY 2003 and FY 2004 Current Estimate Budget for the Child Care Tuition Assistance Program. There are no resources included for related child care activities in FY 2002. If the proposed plan for Child Care Tuition Assistance is approved by the Commission, \$50,000 will be reprogrammed to accommodate this requirement.

COORDINATION:

The Office of the General Counsel has reviewed this Commission paper and has no legal objection.

The Office of the Chief Financial Officer has reviewed this Commission paper for resource implications and has no objection.

The statute, and implementing OPM regulations, require notification of appropriations committees in Congress prior to use of agency funds for child care subsidies. Prior to implementation of this program at the NRC, the staff will arrange for notification of the appropriate Congressional committees.

RECOMMENDATION:

That the Commission approve the staff's plan to implement child care tuition assistance early in FY 2002 if the authorizing legislation is extended beyond September 30, 2001.

Upon approval by the Commission, the staff will initiate appropriate interaction with the Union.

/RA/

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Executive Director
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Attachments: As stated

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