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SHOULD THE PRESIDIO OF MONTEREY CONTINUE TO PROVIDE CHILDCARE SERVICES THROUGH ITS CHILD DEVELOPMENT CENTER AND FAMILY CHILD CARE PROGRAM OR RELY ON SUBSIDIZED COMMERCIAL PROVIDERS?

September 2019

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The Military Child Care Act of 1989 and subsequent policies related to military childcare programs offer installations multiple options for providing childcare services to their supported communities. While the Presidio of Monterey (POM) has provided childcare services to the POM military community using the on-post Child Development Center (CDC) and Family Child Care (FCC) program for over two decades, it has never evaluated whether this is the most efficient option to provide these services. Using a cost benefit analysis, this project compares using commercial providers supported by federal subsidies to the status quo, namely CDC and FCC. The analysis shows that the status quo provides a higher net benefit to the POM military community than does the alternative.

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ABSTRACT

The Military Child Care Act of 1989 and subsequent policies related to military childcare programs offer installations multiple options for providing childcare services to their supported communities. While the Presidio of Monterey (POM) has provided childcare services to the POM military community using the on-post Child Development Center (CDC) and Family Child Care (FCC) program for over two decades, it has never evaluated whether this is the most efficient option to provide these services. Using a cost benefit analysis, this project compares using commercial providers supported by federal subsidies to the status quo, namely CDC and FCC. The analysis shows that the status quo provides a higher net benefit to the POM military community than does the alternative.

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LIST OF ACRONYMS AND ABBREVIATIONS

CDC	Child Development Center
CYS	Child and Youth Services
DFMWR	Directorate of Family, Morale, Welfare and Recreation
DLIFLC	Defense Language Institute, Foreign Language Center
FCC	Family Childcare
IMCOM	Installation Management Command
NAEYC	National Association for the Education of Young Children
NIBD	Net Income Before Depreciation
POM	Presidio of Monterey
TFI	Total Family Income

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I. INTRODUCTION

When abuse allegations were made against a childcare worker working in an Army Child Development Center (CDC) in the late 1980s, the Department of Defense (DoD) was prompted to standardize care throughout the services and create “the largest employer-sponsored childcare program in the United States” (Kamarck, 2018, p. 2). Today, military childcare is critical both to the DoD and to military families. The DoD has identified military childcare as a factor in readiness, recruitment and retention (Moini, Zellman, & Gates, 2006). However, while childcare is important, it has become costly to the government and requires a second look.

Childcare has become the largest expenditure of the Army’s budget for families (Maucione, 2016). This is largely driven by the stringent requirements of the Military Childcare Act of 1989 (e.g., the federal government must spend at least as much on childcare spaces as it charges parents in the form of fees for care) (National Defense Authorization Act for Fiscal Years 1990 and 1991, 1989) and subsequent regulations (e.g., the child-to-teacher ratios mandated in the implementing regulation DoDi 6060.02) (Department of Defense, 2014). As a result, military childcare represents a critical, but costly, service—not only to military families, but also to the DoD.

Many studies have already been conducted on military childcare as a whole (such as “Military Child Development Program: Background and Issues” by Kristy Kamarck, “Examining the Cost of Military Childcare” by Gail Zellman and Susan Gates, and “Providing Childcare to Military Families” by Joy Moini, Gail Zellman, and Susan Gates). These studies largely focus on military childcare for the entire DoD or for an entire service, with recommendations that are wide-ranging and often difficult to enact. In many cases, they would require congressional action, which exponentially increases the difficulty and time required to implement them.

This paper focuses on one installation in an attempt to analyze a real world situation and provide recommendations that could be implemented immediately and have an

immediate impact, as opposed to big picture ideas that could take years or decades to come to fruition due to their higher, more complex level of implementation and deployment.

The Presidio of Monterey (POM) provides childcare services to the POM military community directly via its Child Development Center (CDC) and Family Childcare (FCC) program. While POM has provided these services for decades, it has not evaluated using the CDC/FCC against other available options. Analyzing the POM CDC and FCC program could both lead to a potential quick benefit for the federal government and military families, and also provide insights into similar future studies at how other installations support their communities' childcare needs.

This report uses a cost benefit analysis to compare the status quo of providing childcare to the POM military community via the POM CDC and Family Childcare (FCC) program to the alternative of using federally subsidized commercial providers. The study finds that the policy change provides a different net benefit to each impacted party. While the federal government would receive a positive net benefit, families in the POM military community who use childcare services would receive a much larger negative net benefit from the change. However, some costs and benefits exist on both sides that have not been monetized because no appropriate methodology to do so could be identified. Depending on the relative weights given to each of these non-monetized costs and benefits, and whether one party has greater standing than the other, both the status quo and alternative could be viable options. However, both parties being equal and given the current significant negative overall net benefit that the policy change would impose on all parties combined, this study find that the status quo is preferred for the community.

II. BACKGROUND

This report will set the stage with a short history of military childcare as a whole, followed by a more specific look at how POM provides this service to its military community.

A. HISTORY OF MILITARY CHILDCARE

Before 1989, the military had no standardized way of providing childcare services to its members and their families (Zellman & Johansen, 1998). Some of the larger installations ran child development centers (in name only, not to be confused with the strict terminology used for military child development centers today), but operated them according to separate standards and with their own policies. Most installations did not provide childcare, instead simply requiring that service members maintain a "family plan" that included contingencies for childcare coverage.

An incident at the Presidio of San Francisco changed all that. The public uproar from a childcare worker found to have abused military children (Zellman & Johansen, 1998) led Congress to draft and later pass the Military Childcare Act of 1989, forcing the military services to provide quality childcare to its service members and families. Perhaps realizing the difficulty of improving services quickly and leery of the potential for services to degrade over time (due to funding decreases), Congress included several provisions to ensure the military executed its vision (National Defense Authorization Act for Fiscal Years 1990 and 1991, 1989). One was the requirement that federal spending at least equal the amount charged to families in the forms of parent fees. This precluded future administrations from simply shifting the burden for paying for childcare from the federal government to families as the government needs to spend at least as much as it charges to families for the care provided. The second provision required that the services immediately increase the number of childcare employees they managed and expand availability of services to the military community. Lastly, the Act includes a number of provisions ensuring quality (such as certifications, training and provider/child ratios).

Implementing regulations such as DoDi 6060.02 and AR 608-10 offer a few options for providing childcare services (Department of Defense, 2014; Department of the Army, 2017). While these regulations show a preference for providing care directly via military-owned childcare centers, other options do exist. Commanders can provide services directly via FCC programs, where military spouses serve as childcare providers in federally provided housing. These providers must also be accredited by the National Association for the Education of Young Children (NAEYC), comply with inspections, and meet other quality and cost requirements. Acquiring NAEYC accreditation includes, among many other requirements, meeting certain teacher-to-child ratios in the childcare rooms, ensuring a safe environment and providing daily programming for the children intended to support their learning and development (Whitebook, Sakai, & Howes, 1997). The services can partner with community-based childcare programs to increase the number of spaces provided to the military community. The Army partners with commercial childcare programs through the Army's Military Childcare in your Neighborhood, which soldiers and their families can utilize to seek care from local commercial providers (Childcare Aware of America, 2019). Commercial providers must be NAEYC-accredited to qualify for the subsidies.

While providing care directly via CDCs is preferred according to the language of DoDi 6060.02 and other options are designed to supplement CDCs, precedent exists to provide childcare services primarily through other childcare providers than CDCs. First, for the Army, the Installation Management Command (IMCOM) has the responsibility to provide childcare services to service members, families and civilians on installations. IMCOM determines and tracks the service it provides through its Common Levels of Support (CLS) program (Installation Management Command, n.d.). IMCOM provides for different levels of service for installations designated "remote and isolated" as it is understood that it would be financially untenable to sustain all of the services of a full installation at these sites. In terms of childcare, constructing and operating a CDC for the local military community would be considered financially unsustainable in a region designated remote and isolated. In these areas, service members and families rely on the FCC program and local providers for care. This same financial argument could be extended

to any installation where it is found that a CDC is too costly to maintain versus other options. Second, AR 608-10 lists factors for commanders to consider when establishing childcare delivery services. Two of the factors specified in this regulation are availability of childcare services in the private sector and need to support deployments of service members (Department of the Army, 2017). This study will explore availability of commercial childcare services as part of the cost benefit analysis. As far as supporting deployments, as a school the Defense Language Institute, Foreign Language Center (DLIFLC) does not have a significant number of service members (if any) deploying directly from POM. Lastly, installations can utilize the A-76 process to outsource services to contractors.

B. MILITARY CHILDCARE AT POM

This paper defines the POM military community as all service members and civilians and their families who work at or attend classes at POM and/or Ord Military Community (OMC). POM provides childcare directly to the POM military community primarily through its CDC and FCC program. The Directorate of Family, Morale, Welfare and Recreation (DFMWR) Child and Youth Services (CYS) manages both programs for POM. The CDC is located in Seaside, CA, about 5 miles away from POM, on OMC, the site formerly known as Fort Ord (National Association for the Education of Young Children, 2018). The CDC provides care to 251 children from 6 weeks of age to 5 years. The FCC program provides care to 18 children via four providers who live in government housing in close proximity to the CDC in the local area (Installation Management Command, 2017). Local NAEYC-accredited providers also provide care through the Army's Military Childcare in your Neighborhood program, for which POM does not provide any management support (ChildCare Aware of America, 2019).

Capacity of the CDC is largely fixed and bound by the number of rooms available and teacher/child ratios enforced by Army regulations. Capacity of the FCC program changes each year and is based on the number of parents (generally Military Spouses) who are NAEYC-accredited, undergo a background check (Department of the Army Morale, Welfare and Recreation, 2019), live in on-post housing, and are interested in being

childcare givers. The vast majority of service members in the POM military community attends classes at POM and only remains in the area for the duration of its instruction. With the longest classes lasting 64 weeks (Defense Language Institute, Foreign Language Center, 2015), and most concluding much faster, a military spouse would need to achieve certification, receive a satisfactory background check, then provide care for the remainder of the duration of their stay in Monterey. Every applicant/participant in the FCC program must undergo this same process and cannot start until arrival in Monterey and completion of this process. While the spouse may be able to carry their certification and background check to the next installation, most service members studying at DLIFLC are at their first duty station so most spouses will not have had the opportunity to meet these criteria at another installation prior to arrival at POM. Although families have an opportunity to provide FCC services, the short assignment of language students to the area, combined with the significant amount of time it takes to complete a background check, results in a continually low availability of FCC homes in the community.

The Army's Military Childcare in your Neighborhood program provides subsidies to service members, families, and civilians who are part of the POM military community and place their children in NAEYC-accredited childcare facilities. Each individual commercial childcare center maintains its own standards and programs while adhering to the NAEYC requirements. In addition, these childcare centers maintain their own waitlists and different hours of operation. POM provides no oversight over these childcare facilities, and has no authorization to require changes that are not mandated by the NAEYC accreditation directly.

As a garrison, POM falls under IMCOM's organizational structure. In addition to providing POM its budget, IMCOM also sets the parent fees charged to all users of the CDC and FCC programs prior to each fiscal year. The amount that IMCOM passes on to POM in terms of federal subsidies is guided by the Military Childcare Act of 1989's requirement to spend as much in subsidies as parents are charged in fees. While the act does not specify exactly how this must be accomplished (e.g. by center, installation, region, or service), IMCOM must follow the spirit of the law when setting parent fees and subsidies.

Monterey lies within the locale with the highest locality pay in CONUS (Office of Personnel Management, 2018) because of its very high cost of living. IMCOM authorizes the POM CDC to charge a higher rate according to its high cost fee structure because of the increased expenses associated with operating in this area. However, as will be shown, the rates the CDC charges to families compare favorably to other childcare centers in the area.

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III. COST BENEFIT ANALYSIS

This paper will present an *in media res* cost benefit analysis, comparing an existing government program to an alternative. The cost benefit analysis provides a one-year analysis as, although switching to the alternative would represent a permanent change to operations and costs and impact more than just one year, no infrastructure or other costs exist that would take longer than a year to implement. Also, no one-time costs exist that would affect the results if including additional years to the cost benefit analysis. The status quo consists of providing military childcare directly to the POM military community via the CDC & FCC program. The proposed course of action consists of the alternative—closing the POM CDC & FCC program and relying on local commercial providers for childcare. These commercial providers must have equivalent NAEYC accreditation as required for CDC/FCC providers.

As described, POM currently provides military childcare via its CDC & FCC program. Some families use FCC providers either by choice or because the CDC is full. In addition, commercial providers already provide care via Military Childcare in Your Neighborhood to those who desire and qualify for it. This study analyzes the alternative where POM no longer operates the CDC and FCC program at all, leaving commercial providers as the only option. In reality, other courses of action do exist—for example, reducing the number of children watched at the CDC, however those other courses of action will not be assessed within this document.

Before describing the steps of the cost benefit analysis, this study first enumerates the assumptions underlying the analysis.

A. ASSUMPTIONS

The cost benefit analysis relies on the following assumptions:

1. Per Army Regulation (AR) 215-1 and AR 608-10, the Army requires CYS programs to breakeven over the fiscal year (Department of the Army, 2010; Department of the Army, 2017). As a CYS program, the CDC brings in two types of revenue—parents fees and federal appropriated funds (subsidies). If a program breaks even, then the overall

revenue (parent fees + federal appropriated funds) = overall expenses (cost of goods, labor, other expenses). Management is responsible for ensuring that programs work within their funding throughout the year. If a program ended the year with a negative bottom line, or Net Income Before Depreciation (NIBD), then this amount would be added to the total costs to the government. This paper follows the regulatory requirements and assumes that either a) the program breaks even or b) any negative or positive NIBD would be sufficiently small so as to be insignificant to the analysis. This assumption is reasonable due to the regulatory requirement and continual CYS management oversight.

2. Demand exists within the POM military community to meet 100% supply provided by POM CDC/FCC. This assumption is reasonable due to its waitlist and to the fact that its prices compare favorably to other centers in the community.

3. The Naval Postgraduate School (NPS) Child Development Center receives enough demand from NPS faculty, staff and students that it effectively provides all of its available childcare spaces to this demographic. NPS is a separate military installation located in the same geographic area as POM with its own mission and population. Its center exists to provide services to the NPS military community. On average, no spaces are available for use by the POM military community. This assumption is reasonable for the same reasons as the assumption that demand exists to meet 100% supply provided by the POM CDC/FCC.

4. Because of the time-consuming process to provide care via the FCC program and the high turnover of caregivers who do complete the process, this paper assumes that the FCC program will not significantly grow beyond its current size. This assumption is reasonable due to the sizeable FCC requirements and quick turnover of service members and families at POM. The FCC program and these factors remain a favorable target for further analysis in a future study.

5. As a result of the Military Childcare Act of 1989's requirement for the government to provide at least as much federal spending as parents pay in childcare fees, this paper assumes that IMCOM will not significantly reduce the amount it provides to the POM CDC/FCC per child in any fiscal year. In the unlikely event that IMCOM took this

action, per AR 215-1 and AR 608-10, any significant reductions in federal subsidies per child (counted as revenue for the POM CDC/FCC) would need to be matched by reductions in cost (increases in efficiency) for the program to break even. This paper assumes that any reduction significant enough to affect the analysis/results would impact the POM CDC/FCC's ability to breakeven in a given fiscal year—leading to a potential loss in that program. In that case, the first assumption in this paper would be void and the programs' negative NIBD (loss) would be included in the analysis as additional government spending. This inclusion would counteract the reduction in federal funding and mitigate the effect of any change to the analysis/results. This assumption is reasonable because of the Military Childcare Act of 1989. It also has a viable mitigation strategy as detailed.

6. This paper assumes that, because the POM CDC/FCC and local commercial providers all maintain accreditation through NAEYC, the quality of the POM CDC/FCC is roughly (not exactly) equivalent to that of the commercial providers. Any variance in parent fees is a result of differences in the benefits to parents of using the childcare services between them. In addition, the amount providers charge equals families' willingness to pay for that service.

7. This paper assumes that, were the POM CDC and FCC program closed, POM or one of the other installation tenants (e.g. DLIFLC) would continue to utilize the CDC for a different purpose as opposed to closing the facility. This paper also assumes that the garrison or tenant would prioritize moving a program out of a leased facility before moving out of a government-owned facility. Therefore, this paper calculates the savings to the government in terms of fixed costs by applying the cost per square foot of a comparable leased facility in Monterey to the current square footage of the POM CDC.

B. COST BENEFIT ANALYSIS STRUCTURE

The cost benefit analysis in this paper follows the following steps as suggested by Boardman et al. (2006):

- Specify the set of alternative projects.
- Decide whose benefits and costs count (standing).

- Identify the impact categories, catalogue them, and select measurement indicators.
- Predict the impacts quantitatively over the life of the project.
- Monetize (attach dollar values to) all impacts.
- Discount benefits and costs to obtain present values.
- Compute the net present value of each alternative.
- Perform sensitivity analysis.
- Make a recommendation. (p. 6).

C. SPECIFY THE SET OF ALTERNATIVE PROJECTS

The first step in a cost benefit analysis is to determine all alternatives to be covered by the analysis. The cost benefit analysis itself does not need to include every alternative in the analysis, but should still identify them and a justification for why a subset was selected over others. For an *in media res* cost benefit analysis addressing an existing program, the status quo should be the first option (Boardman et al., 2006). This CBA will evaluate the status quo of providing childcare through the CDC and FCC and compare it to the policy change of relying on commercial providers supported by government subsides. As stated in the beginning of Section III, other potential options exist. However, this particular alternative was selected over the others for three reasons. First, it can be implemented immediately. Second, it could be replicated at other installations with similar circumstances. Third, it has a greater potential to provide significant net benefits to the community than the other options.

DoDi 6060.02 allows for few options beyond providing childcare services directly to the military community. However, the services can partner with community-based childcare providers to increase the number of spaces available to the military community, which the Army has done through the Military Childcare in your Neighborhood program. This program provides an opportunity for the services to provide care indirectly, while still supporting the military community with federal subsidies. Therefore, the alternative to the status quo provided here is relying 100% on NAEYC-accredited commercial providers, with parents receiving federal subsidies through the Military Childcare in your

Neighborhood program. This paper only considers NAEYC-accredited providers because those are the only ones that qualify for federal subsidies under the Military Childcare in your Neighborhood program.

As stated, installations can also utilize the A-76 process to outsource services to contractors. However, while this is an available option, this paper does not explore it due to prior studies that fail to demonstrate that contracted childcare programs in government-owned facilities are cheaper than government-run centers (Zellman & Gates, 2002). Per OMB Circular A-76, outsourcing must be 10% cheaper in order to replace the government-provided service. Therefore, this analysis does not include this option as a course of action.

D. DECIDE WHOSE BENEFITS AND COSTS COUNT

The next step is to determine the scope of the cost benefit analysis. Exempting a significant party from the impacts of alternatives can have a huge impact on the analysis. Choosing to charge tolls on a road provides revenue to the owner of the road. If the cost benefit analysis only looks at the owner's benefits and costs, the result is in an easy decision on whether or not to implement the tolls. However, including those who use the road can lead to a very different result because then one also includes travel time and other factors that benefit them. Thus, an early step of a cost benefit analysis is to determine exactly whose benefits and costs will be considered.

The POM military community includes service members, families and civilians who work at POM and OMC and live in the state of California. The vast majority live in Monterey County, with Santa Cruz and Santa Clara Counties also within the driving distance of 50 miles from POM used in this study. The commercial childcare centers analyzed in this study are also located within these three counties (and within 50 miles of POM). Therefore, costs and benefits to the families who utilize childcare services in these three counties are included in this paper.

The federal government pays a portion of childcare costs for members of the POM military community in the form of subsidies. This cost differs between the status quo and the alternative, so the costs and benefits to the federal government are included, as well.

E. IDENTIFY THE IMPACT CATEGORIES, CATALOGUE THEM, AND SELECT MEASUREMENT INDICATORS

This section describes the costs and benefits that will determine whether the status quo or alternative presents the highest net benefit, and how to measure each. The costs for the status quo and alternative are listed first, followed by the benefits for each. Table 1 lists all costs and benefits along with the demographic (either families or the federal government) each one affects in parenthesis. The two costs related to the policy change that are not monetized as part of this analysis are marked with an "(X)."

Table 1. Impact Categories

Status Quo	Policy Change
Costs	**Costs**
Government subsidies (Fed)	Government subsidies (Fed)
Parent fees (Families)	Parent fees (Families)
Cost of gas for travel (Families)	Cost of gas for travel (Families)
Cost of travel time spent (Families)	Cost of travel time spent (Families)
	(X) Time on waitlists (Families)
	(X) Choice (Families)
Benefits	**Benefits**
Benefits to parents of using childcare services (Families)	Benefits to parents of using childcare services (Families)
Control over waitlists (Fed)	Fixed Costs (Fed)
Control over capacity/costs/services provided (Fed)	
Ability to approve exceptions (Fed)	

1. Costs under Status Quo

Four different costs exist under the status quo: government subsidies to the childcare provider (either the CDC or FCC provider), fees for services paid by parents to the childcare provider, cost of gas for travel and the cost of travel time.

a. Government Subsidies

The primary costs to the government come in the form of subsidies to the childcare provider. The POM DFMWR CYS submits its budget request to IMCOM prior to the beginning of each fiscal year (Installation Management Command, 2017). As part of this analysis, CYS tells IMCOM how many children in each age group (infants, pre-toddlers, toddlers, and preschoolers) it will support in the CDC and how many children will be watched in FCC homes. IMCOM responds with a funding number based on this number of children. As stated in the assumptions up front, the funding per child provided by IMCOM should not dramatically change from one year to the next, so the number of children watched in POM CDC/FCC drives the total cost to the government.

b. Parent Fees

The primary costs to families are the fees they pay for childcare services. Two variables determine the cost to families: number of children watched and Total Family Income (TFI). The POM CDC and FCC charge according to TFI, not the age of the child, as dictated by the Military Childcare Act of 1989 (National Defense Authorization Act for Fiscal Years 1990 and 1991, 1989). Families who utilize FCC receive a 15% discount from the fees charged to use the CDC.

c. Cost of Gas for Travel and Time Spent

This cost benefit analysis accounts for the gas that families consume to travel to and from either the POM CDC/FCC or commercial providers. This study uses the current average U.S. gas efficiency (Shepardson & Carey, 2018) and average cost of gas in Monterey County (AAA, 2019) to determine the cost.

This cost benefit analysis also accounts for the value of travel time. As defined by the U.S. Department of Transportation in its 2016 Revised Value of Travel Time Guidance, the value of travel time in the case of personal travel equals 50% of median pay of the individual doing the travelling (Department of Transportation, 2016). The study warns against trying to determine individual salaries or using the mean pay for an area because extreme situations (e.g., an area with a very large number of millionaires) can skew this data. Therefore, using the median pay provides the most accurate value according to this study.

The variables relevant to these costs are the number of miles parents must travel to and from the POM CDC/FCC or commercial provider each day, the number of parents who undertake the trip and the cost of gas.

2. Costs under Policy Change

Six different costs exist under the policy change. The first four—government subsidies to the commercial childcare provider, fees for services paid by parents, cost of gas for travel and the cost of travel time—are monetized as part of this analysis. The remaining two—time on waitlists and choice—are identified and discussed but not monetized.

a. Government Subsidies

For NAEYC-accredited commercial providers who qualify for the Military Childcare in your Neighborhood program, the government provides a subsidy to offset the cost to parents so that they pay no more than they would have paid if they used the POM CDC. The government capped its potential exposure in that any amount over $1,500/child charged by the commercial provider is borne by the parents (Childcare Aware of America, 2019), as shown by the following formulas:

Cost paid by family to use the CDC + government subsidy <= 1500

Commercial provider’s fee – 1500 = Additional cost to family

So, if the CDC charges $1,000, but the provider charges $1,400, the family would pay $1,000 and the government would pay the remaining $400 to the provider. However,

if the provider charges $1,600, the government would pay $500 to the provider, leaving the parents responsible for the $1,000 plus the remaining $100 for a total of $1,100. The variables that affect the government's costs in this case are the amounts charged by both the CDC and commercial providers and the number of children to be supported.

b. Parent Fees

To determine the amount that families would pay every year for government-subsidized care, this paper uses the following formula:

Average parent fees (for POM CDC) per month

+ Amount over $1,500/month charged by commercial providers

* 12

* capacity of the CDC/FCC per age group

= Total amount families pay annually

The fact that FCC costs 15% less than the CDC does not factor into this analysis because families who utilize commercial providers pay what they would have paid at the CDC. As a side note, families who currently use FCC and switched over to commercial providers would end up paying more because they would lose this 15% discount.

c. Cost of Gas for Travel and Time Spent

Similar to the status quo, the analysis uses the same assumptions on the costs of gas and driving time to calculate these costs under the policy change.

d. Time on Waitlists

Another cost related to closing the CDC & FCC is an increased amount of time on waitlists for childcare, resulting from the decreased number of locally provided childcare spaces in the community. As discussed, commercial providers do not provide priority waitlists with the same criteria as the POM CDC/FCC (if they do at all), thereby increasing the amount of time families would spend awaiting care.

According to the 2017 California Childcare Portfolio, the supply of childcare spaces available in Monterey, Santa Cruz and Santa Clara Counties supports 19%, 29% and 29% respectively of children 0-12 with parents in the labor force (California Childcare Resource and Referral Network, 2017). This does not provide a complete apples-to-apples comparison, but does give some insight into the current situation. The paper does not state how many of the parents actively search for care or how many currently reside on waitlists at the centers. It also does not specify the percentage of children in each age group, specifically those 6 weeks – 5 years old, who are included in this study. However, one can infer from this that the current supply definitely does not meet the current demand. The 269 spaces provided by the CDC and FCC represent 20% of the current estimated spaces in all accredited centers offered within 50 miles of POM (269 offered by CDC/FCC only vs. 1087 in all accredited centers) (Installation Management Command, 2017; NAEYC, 2018). Removing these 269 childcare spaces from the supply would not simply cut into excess capacity—it would definitely increase families' time on waitlists.

The increased time spent on waitlists leads to additional impacts on families, as well. Families still need care while they await space at an NAEYC-accredited center. If they utilize another provider while awaiting care at one of these centers, they will pay the entire amount rather than the subsidized amount. As an example, since the average costs for infant childcare at centers within 50 miles of POM is estimated at $1,567, families utilizing a non-accredited center would pay that entire amount every month, an average of $984/month greater than they would pay at the CDC or accredited provider. Even if they do not use a center and relied on a commercial family childcare home, the averages in Monterey, Santa Cruz and Santa Clara Counties for an infant are still $694, $803 and $1,039/month respectively—costs that far exceed the subsidized amounts families would otherwise pay (California Childcare Resource and Referral Network, 2017).

All of the impacts discussed in this section apply directly in the short-term. With the 20% reduction in the supply of childcare spaces, the market should adjust over time with an increase in spaces. How long it takes would depend on how much costs actually increase due to the reduction (as stated in the assumptions section, this paper assumes costs will not increase in the first year), how much consumers are willing to pay for the service,

and how vocal consumers are in reaction to the reduction in supply and increase in cost. In addition, this market adjustment could take time due to the difficulty of entering the childcare market (as a result of significant regulatory requirements). As the elasticity of supply and demand of childcare in this market is unknown, the expected cost increases resulting from a decrease in supply and following decrease in cost due to future increases in supply are not monetized in this paper.

e. Choice

With the closure of the POM CDC/FCC, families would have fewer choices in selecting a childcare provider. This reduction in choice could lead to a variety of impacts. One result could be additional drive time/gas usage for some families. Another could be families needing to sacrifice quality or other parental requirements/desires.

3. Benefits under Status Quo

This study identified four benefits related to the status quo: benefits to parents of using childcare services, control over waitlists, control over capacity/costs/services provided, and the ability to approve exceptions.

a. Benefits to Parents of Using Childcare Services

As stated in the assumptions, this study will use parent fees as a measure of parents' willingness to pay for the service provided.

b. Control over Waitlists

Utilizing the POM CDC & FCC programs provides a benefit to families in the POM military community in the form of higher relative priority on the waitlist (Presidio of Monterey Child and Youth Services, 2018). Full-time working parents (single/dual service members and DoD civilians) receive top priority, followed by service members and DoD civilians with a non-military/non-DoD civilian working spouse. Families with other special circumstances receive the third priority on the waitlist.

Families encounter a variety of issues when unable to coordinate childcare as needed. Besides the basics of needing someone to watch the children, families in the POM

military community also face the additional limitation of using the POM CDC/FCC or NAEYC-accredited commercial providers if they want to receive lower rates. However, only the CDC & FCC provide priority waitlists that favor service members and DoD civilians with the greatest need—other commercial providers maintain waitlists in accordance with their own individual policies. Therefore, those who most need the care receive priority through the CDC & FCC.

This cost benefit analysis does not monetize the value of having control over the waitlists. However, this benefit is discussed here as an important factor to consider and can be a significant contributor to military readiness. As one example, service members studying at DLIFLC need to attend language classes daily in order to obtain the necessary proficiency in the compressed timelines set forth by the language school. Missing class due to childcare issues could result in service members not attaining required proficiency levels.

c. *Control over Capacity/Costs/Services Provided*

POM controls how many childcare spaces and the specific services it will provide and IMCOM determines the parent fees charged to families. While this study does not monetize these benefits, having control of them is a significant benefit to the government. As an example, POM could decide to increase the CDC hours for a certain demographic temporarily in response to mission requirements, providing a significant benefit to military readiness. Commercial providers would most likely not allow for this type of flexibility—at least, not without substantial increases in costs to families.

d. *Ability to Provide Exceptions*

Lastly, the POM CDC/FCC maintain the ability to provide exceptions to policy when dictated by the mission. One example of this benefit could be a single service member who arrives at POM, immediately experiences hardship and needs expedited care beyond what is provided via the existing waitlist priorities. The POM Command can decide to provide an exception to policy for this family because of his/her critical inclusion in the mission. Therefore, this benefit goes beyond standard policy benefits into special situations

that require additional care. While this benefit is not monetized, it potentially expands all other benefits (with one example being given) provided by the status quo.

4. Benefits under Policy Change

This study identified two benefits related to the policy change: benefits to parents of using childcare services and fixed costs.

a. Benefits to Parents of Using Childcare Services

Same as with the status quo, this study will consider parent fees equal to the benefits to parents of using childcare services.

b. Fixed Costs

As a government-owned facility, the POM CDC generates costs to the government in the form of utilities and maintenance. However, as stated in the Assumptions section, one of the federal agencies in the area will utilize the building in the event POM stopped using it as a CDC. Therefore, the utilities and maintenance costs to the government would not change significantly under the policy change. However, if the federal agency stopped paying for a commercially leased facility in order to move a program into the government-owned building (which this paper assumes to be the case), then the cost of the leased facility would be relevant to the analysis. This paper captures this cost as a benefit of the policy change.

F. PREDICT THE IMPACTS QUANTITATIVELY OVER THE LIFE OF THE PROJECT

Now that the individual costs and benefits have been provided along with how to measure them, this section will provide data to show their impacts to the status quo and alternative. As this is a one-year study, it only analyzes the impacts of the first year of implementation. It does not examine the effects over the entire life of the project-specifically, the entire potential future lifecycle of childcare services provided by the CDC, FCC and commercial providers.

1. Costs under Status Quo

Four different costs exist under the status quo: government subsidies to the childcare provider (either the CDC or FCC provider), fees for services paid by parents to the childcare provider, cost of gas for travel and the cost of travel time.

a. Government Subsidies

As stated, CYS informs IMCOM prior to the beginning of the fiscal year how many children it will support through its CDC/FCC programs. IMCOM responds with a report that details how many children POM will support and the amount of federal funding POM will receive per child.

Table 2. FY19 APF Funding for POM CDC/FCC. Adapted from Installation Management Command (2017).

FY19 Spaces					
Units	Infant	Pre-Toddler	Toddler	Preschool	FCC
# of Spaces	20	35	36	160	18
$ / Space / Year	$14,139	$11,157	$7,901	$5,306	$4,000

b. Parent Fees

To determine the amount that families would pay every year for CDC/FCC care, this paper uses the following formula:

Average parent fees / month * 12 * capacity of CDC for all age groups

+ (parent fees * .85 (15% discount) * capacity of FCC)

= Total amount families pay annually

The POM CYS division provided the FY19 parent fee schedules report disseminated by IMCOM. These fee schedules show how much a family in each category would need to pay per month for one child in the CDC.

Table 3. CDC Parent Fee Structure. Source: Installation Management Command (2017).

HIGH COST FEE STRUCTURE - SCHOOL YEAR 2019-2020						
SY 19-20 CHILD DEVELOPMENT CENTERS (CDC) Monthly FEE CHART (2 Week Vacation Option) (Jan 2019)						
Total Family Income Categories		Full Day	Part Time*	Part Day Toddler/Part Day Pre-School "Enrichment"**		
				5 Day 3 Hr	3 Day 3 Hr	2 Day 3 Hr
CAT 1	$0-$32,525	$304	$212	$136	$82	$54
CAT 2	$32,526-$39,491	$368	$258	$166	$100	$66
CAT 3	$39,492-$51,108	$448	$312	$200	$120	$80
CAT 4	$51,109-$63,884	$512	$358	$230	$138	$92
CAT 5	$63,885-$81,310	$582	$408	$262	$156	$106
CAT 6	$81,311-$94,032	$634	$444	$286	$172	$114
CAT 7	$94,033-$110,625	$652	$456	$294	$176	$118
CAT 8	$110,626-$138,330	$674	$472	$302	$182	$120
CAT 9	$138,331+	$694	$486	$312	$188	$124
- CAT 9A***	Not Applicable	$912	$638	$410	$246	$164

Per the POM CYS Parent Handbook, CYS uses the Family's Total Family Income (TFI) to determine each Family's category (Presidio of Monterey Child and Youth Services, 2018). The range of categories stretches from CAT 1 (lowest TFI) – CAT 9 (highest TFI). According to the studies referenced in Examining the Cost of Military Childcare (from DTIC), the median families are in the middle category (2002), so this cost benefit analysis uses the parent fees / month for a family in CAT 5 (shown in Table 3) and multiplies that by 12 to get the parent fees / year.

As the POM CDC and FCC program use IMCOM's high cost fee structure and employees get locality pay that reflects the high cost of living in the area, a median CAT 5 family in Monterey would both make more and pay more for care than a median CAT 5 family in another area. Therefore, while the median family utilizing a military CDC is still in CAT 5 no matter the location, the parent fees charged do differ. This paper accounts for this by using the parent fees charged by the POM CDC.

The POM CYS division also provided the FY19 APF funding report published by IMCOM. This report breaks down funding by the age group of the child (infants, pre-toddlers, toddlers, and preschoolers) and the number of children funded in each age group in the CDC, and the total number of children in all age groups in FCC. For the purposes of Cost to Families, the cost benefit analysis uses the total number of children funded in all

age groups combined. Multiplying this by the amount a family in CAT 5 would pay in a year gives the total Costs to Families for utilizing the CDC and FCC (keeping in mind that families utilizing FCC pay 15% less).

c. Cost of Gas for Travel and Time Spent

As stated in the Background section, the CDC is located approximately 5 miles from POM. The government housing where most FCC providers would live and provide services is situated in roughly the same area as the CDC. Therefore, parents working at POM drive 10 miles roundtrip twice per day, every workday, to drop off/pickup their kids to/from the centers.

Excluding federal holidays, each year contains 250 workdays. Federal employees earn 4 hours – 8 hours per pay period of annual leave (Office of Personnel Management, n.d.) and 4 hours per pay period of sick leave (Office of Personnel Management, n.d.). Given 26 pay periods in a year, this translates to 104 – 208 hours (or 13 – 26 days) of annual leave and 104 hours (13 days) of sick leave accrued each year. Assuming a parent takes this leave, and keeps his or her child out of the center each time, a family will utilize the CDC 211 – 224 days each year.

Table 4. Cost of Gas Used

269 families
* 10 miles/roundtrip
* 2 roundtrips/day
* 211 – 224 days/year
* $3.65 (current average cost of gas in CA)
/ 24.7 miles (current U.S. average fuel efficiency)
= Cost of gas used

Table 5. Cost of Travel Time

$63,885-$81,310 (Pay range for CAT 5 families)
/ 2080 (average # of hours worked annually)
* 50%
* 269 families
* 211 – 224 days/year
* 20 minutes per day (estimate to travel 20 miles)
= Cost of travel time

2. Costs under Policy Change

Four different costs—government subsidies to the commercial childcare provider, fees for services paid by parents, cost of gas for travel and the cost of travel time—are monetized as part of this analysis.

a. Government Subsidies

This paper uses the following formula to determine the amount the Government would pay commercial providers:

Total fees charged by commercial providers

- Total amount charged over $1,500/child

- Total parent fees charged by POM CDC for CAT 5 families

= Total amount paid by the Government

Table 6. Government Subsidies and Parent Fees for Utilizing Commercial Providers

	Infant	Pre-Toddler	Toddler	Preschool	FCC
	20	35	36	160	18
Average fees charged/month (2019)	$1,567	$1,567	$1,128	$1,128	$1,232
Parent charges for fees over $1,500 (monthly)	$67	$67			
Parent fees at CDC (monthly)	$582	$582	$582	$582	$582
Cost to Government (per child monthly)	$918	$918	$546	$546	$650

Commercial providers normally charge by the age of the child, because younger children are more expensive to watch due to the higher ratio of adults to children required by policy. However, as discussed, the CDC/FCC charge according to TFI. Because families utilizing subsidized providers pay the same amount they would in the CDC/FCC, they still technically pay the commercial providers according to TFI. One exception to this results from the $1,500 cap. Because younger children are more expensive to watch, care for them is more likely to exceed the cap and result in higher parent fees.

To determine the average fees charged by commercial providers / month, this study uses the data located in the 2017 California Childcare Portfolio, compiled by the California Childcare Resource and Referral Network (2017). The report provides average fees charged both by county and for the state overall. Because the number of estimated spaces available in accredited centers in Monterey County is insufficient to support the 269 extra children that would need care if the POM CDC/FCC closed, this paper covers all accredited centers within 50 miles of POM, which includes all of Monterey and Santa Cruz Counties and part of Santa Clara County. The estimated number of spaces provided by these centers in each county is then multiplied by the average cost of childcare in their respective counties, added together, then divided by the total estimated number of spaces provided by all of these centers combined. The result represents the average cost of childcare provided by these centers.

The 2017 California Childcare Portfolio provides data for infants and preschoolers. Based on the definitions given (California Childcare Resource and Referral Network, 2017; Presidio of Monterey Child and Youth Services, 2018), commercial providers define infants the same as the POM CDC/FCC defines infants and pre-toddlers combined (0-2 years). Because of this, the cost benefit analysis uses the same fees for both infants and pre-toddlers. Along the same vein, commercial providers define preschoolers the same as POM CDC/FCC defines toddlers and preschoolers (2-5 years), so the cost benefit analysis uses the same fee for toddlers and preschoolers.

FCC homes provide care to all age groups (with restrictions on ratios depending on the age group), so the POM CYS provided their current FCC registration report that shows 12 children currently enrolled (Presidio of Monterey Child and Youth Services, 2019). This paper adds up the fees charged for the resulting mix of infants, toddlers and preschoolers and divides the resulting number by 12 to give the average fees for those children currently in FCC. The mix of children in each group could change over time depending on the families that utilize FCC care. Although families pay 15% less by utilizing FCC (Department of the Army Morale, Welfare and Recreation, 2019), this figure is not reduced by 15% for this calculation because families will pay the amount they would have paid in order to utilize the CDC, not what they would pay to use FCC. Therefore, a parent moving from an FCC home to an accredited commercial provider would end up paying more per month.

The 2017 California Childcare Portfolio uses data from the 2016 Regional Market Rate Survey, so the cost benefit analysis uses inflation factors from 2016-2018 to bring the data into 2019 dollars. The resulting data shows what commercial providers charge on average.

b. Parent Fees

As stated, families will pay the same for care as they would for the POM CDC/FCC plus any amount over $1,500/child/month charged by the commercial provider. Table 6 shows the amounts families would pay depending on the age of the child.

c. Cost of Gas for Travel and Time Spent

Four of the 17 accredited centers (other than the CDC) located within 50 miles of POM are within 7 miles of the garrison. With the CDC 5 miles from POM, the cost benefit analysis considers the driving distance for these four centers as equal. These four centers provide an estimated 212 spaces total. For the remaining 13 centers, the driving distance is an average 41.5 miles from POM (NAEYC, 2018). These 13 centers provide an estimated 875 spaces. This means that an estimated 80% of the parents will need to drive an average of 83 miles roundtrip twice per day, every workday, to drop off/pickup their kids to/from the centers. This 80% of the 269 children from the CDC/FCC represents 215 children.

Table 7. Cost of Gas Used

215 Families
* 83 miles/roundtrip
* 2 roundtrips/day
* 211 – 224 days/year
* $3.65 (current average cost of gas in CA)
/ 24.7 miles (current U.S. average fuel efficiency)
= Cost of gas used

Table 8. Cost of Travel Time

$63,885-$81,310 (Pay range for CAT 5 families)
/ 2080 (average # of hours worked annually)
* 50%
* 215 Families
* 211 – 224 days/year
* 2 hours per day (very conservative estimate to travel 166 miles)
= Cost of travel time

3. Benefits under Status Quo

Only one benefit under the status quo—namely the benefit of using childcare services for the parents—is monetized as part of this study. As stated earlier, the benefits are monetized using the parent fees charged by the POM CDC/FCC.

4. Benefits under policy change

This study identified two benefits related to the policy change: benefits to parents of using childcare services and fixed costs.

a. Benefits to Parents of Using Childcare Services

As stated, the benefit of using childcare services will equal the parent fees charged by commercial providers. Because of the formula used to determine how much the government will reimburse these providers (and the $1,500 cap discussed earlier), the benefits of using childcare services under the policy change could conceivably be higher than under the status quo.

b. Fixed Costs

The POM CDC facility covers an estimated 16,323.6 square feet. An analysis of similar leased facilities in the Monterey area results in a cost of $1.95/square foot/month (LOOPNET, 2019). Multiplying the size of the CDC by the cost of leasing a similar facility should provide the amount a federal entity would save by moving operations out of a leased facility and into the CDC space.

G. MONETIZE ALL IMPACTS

Now that all costs and benefits have been identified with the related calculations used to measure them, the next step is to assign actual costs to them. These costs will feed the final analysis and determine the change in net benefits from the status quo to the alternative. Ideally, all impacts would be monetized, but as detailed in Section E, "control over waitlists," "control over capacity/costs/services provided," "ability to provide exceptions," "time on waitlists," and "choice" cannot be monetized with any accuracy. They are important to any decision on this topic, but will not be included in the calculation of net benefits.

1. Costs under Status Quo

Four different costs exist under the status quo: government subsidies to the childcare provider (either the CDC or FCC provider), fees for services paid by parents to the childcare provider, cost of gas for travel and the cost of travel time.

a. Government Subsidies

Table 9. FY19 APF Funding for POM CDC/FCC. Source: Installation Management Command (2017).

FY19 Spaces					
Units	Infant	Pre-Toddler	Toddler	Preschool	FCC
# of Spaces	20	35	36	160	18
Total Funding ($) per Age Group	$283,860	$390,495	$284,436	$848,960	$72,000

The FY19 APF Funding report provides one additional bit of information beyond the subsidies paid by the government for each age group. The government contributes an additional $435,473 in APF funding to the CYS program because it resides in a high cost area. Therefore, the total cost to the government to provide childcare spaces is $2,315,224.

b. Parent Fees

As stated, this study uses the fees charged for a CAT 5 family as the average paid by families for childcare at the POM CDC/FCC. The amount charged to CAT 5 families to use the CDC is $582/child/month. As stated earlier, parents who utilize FCC receive a 15% discount.

Table 10. Amount Families Pay Annually at CDC/FCC

Average parent fees / month * 12 * capacity of CDC	$1,752,984
+ (parent fees * .85 (15% discount) * capacity of FCC)	$106,855
= Total amount families pay annually	$1,859,839

c. Cost of Gas for Travel and Time Spent

As seen in Table 11, families spend $167,749 – $178,085 in money for gas by travelling to the CDC/FCC provider each day they utilize care.

Table 11. Cost of Gas Used

269 Families
* 10 miles/roundtrip
* 2 trips/day
* 211 – 224 days/year
* $3.65 (current average cost of gas in CA)
/ 24.7 miles (current U.S. average fuel efficiency)
= $167,749 – $178,085

As detailed in Table 12, families spend $290,520 – $392,542 according to the value of travel time by utilizing CDC/FCC providers.

Table 12. Cost of Travel Time

$63,885-$81,310 (Pay range for CAT 5 families)
/ 2080 (average # of hours worked annually)
* 50%
* 269 Families
* 211 – 224 workdays per year
* 20 minutes per day (estimate to travel 20 miles)
= $290,520 - $392,542

2. Costs under Policy Change

Four different costs—government subsidies to the commercial childcare provider, fees for services paid by parents, cost of gas for travel and the cost of travel time—have been monetized as part of this analysis.

a. Government Subsidies

As previously stated, this paper uses the following calculation to determine the total amount to be paid by the government to commercial providers:

Table 13. Amount Paid by Government under Policy Change

Total fees charged by Commercial Providers	$3,954,437
- Total amount charged over $1,500/child	$44,273
- Total parent fees charged by POM CDC for CAT 5 families	$1,878,696
= Total amount paid by the Government	$2,031,468

b. Parent Fees

According to the data in Table 13, families would pay $1,878,696 + $44,273 = $1,922,969 annually for care at commercial providers.

c. Cost of Gas for Travel and Time Spent

As seen in Table 14, families spend $1,112,820 – $1,181,382 on gas by travelling to a commercial provider each day they utilize care.

As seen in Table 14, families spend $1,112,820 – $1,181,382 on gas by travelling to a commercial provider each day they utilize care.

Table 14. Cost of Gas Used

215 Families
* 83 miles/roundtrip
* 2 roundtrips/day
* 211 – 224 days/year
* $3.65 (current average cost of gas in CA)
/ 24.7 miles (current U.S. average fuel efficiency)
= $1,112,820 – $1,181,382

As detailed in Table 15, families spend $1,393,338 – $1,882,639 according to the value of travel time by utilizing commercial providers.

Table 15. Cost of Travel Time

$63,885-$81,310 (Pay range for CAT 5 families)
/ 2080 (average # of hours worked annually)
* 50%
* 215 Families
* 211 – 224 workdays per year
* 2 hours per day (very conservative estimate to travel 166 miles)
= $1,393,338 – $1,882,639

3. Benefits under Status Quo

Only one benefit under the status quo—benefits to parents of using childcare services—is monetized as part of this study. This benefit equals the parent fees charged to families using the POM CDC/FCC. As stated, this equates to $1,859,839/year.

4. Benefits under Policy Change

This study identified two benefits related to the policy change: benefits of using childcare services for parents and fixed costs.

a. Benefits to Parents of Using Childcare Services

This benefit equals the parent fees charged to families using commercial providers. As stated, this equates to $1,922,969 /year.

b. Fixed Costs

Size of the CDC * cost to lease/square foot = Cost to lease similar facility

16,323.6 sq. ft. * $1.95/square foot/month *12 = $381,972/year

H. DISCOUNT BENEFITS AND COSTS TO OBTAIN PRESENT VALUES

When determining local provider rates, one of the references cited is the 2017 California Childcare Portfolio, which uses data from the 2016 Regional Market Rate Survey. The cost benefit analysis uses inflation factors from 2016-2018 to bring the data into 2019 dollars. The resulting data shows what commercial providers charge on average.

As this is a one-year analysis, with no one-time or multi-year costs to consider that could affect the results by including extra years' worth of data, no discounting of additional past/future benefits or costs is needed.

I. COMPUTE THE NET PRESENT VALUE OF EACH ALTERNATIVE

Finally, the cost benefit analysis provides the change in net benefit (net present value) between the status quo and alternative. The tables in this section list all of the costs and benefits previously described. Table 16 shows potential impacts to the federal government and Table 17 applies to families. Because each cost/benefit only applies to one

party or the other, this method provides the net benefit to each party separately. These tables compare the two options and shows the resulting impacts to each affected party were the policy change implemented. If the net benefit change in each table is positive, then the policy change results in an increased net benefit for that party. A negative number shows that the status quo is desirable.

Table 17 contains additional columns because the costs for gas and travel time are provided with both high and low estimates. The “change in costs/benefits” columns utilize both estimates. The “high-low est” column compares the policy change’s high estimate with the status quo’s low estimate. The “low-high est” column compares the policy change’s low estimate with the status quo’s high estimate. Providing the analysis in this manner shows the widest possible range of results.

Table 16. Cost Benefit Analysis—Impact on Federal Government

Change in costs/benefits from using commercial providers vs. CDC/FCC	**Status Quo**	**Policy Change**	**Change in costs/benefits**
POM CDC & FCC Spaces Offered	269	0	(269)
Commercial Provider Spaces Offered	818	818	0
Spaces Offered	1087	818	(269)
Costs			
Government subsidies (FY19)	$2,315,224	$2,031,468	($283,756)
Total costs	$2,315,224	$2,031,468	($283,756)
Benefits			
Fixed Costs	$0	$381,972	$381,972
Control over waitlists			
Control over capacity/costs/services provided			
Ability to approve exceptions			
Total benefits	$0	$381,972	$381,972
Net Benefit	($2,315,224)	($1,649,496)	$665,728

Table 17. Cost Benefit Analysis—Impact on Families

Change in costs/benefits from using commercial providers vs. CDC/FCC	**Status Quo**		**Policy Change**		**Change in costs/benefits**	
POM CDC & FCC Spaces Offered	269		0		(269)	
Commercial Provider Spaces Offered	818		818		0	
Spaces Offered	1087		818		(269)	
Costs	**(Low Est)**	**(High Est)**	**(Low Est)**	**(High Est)**	**(High-Low Est)**	**(Low-High Est)**
Parent Fees	$1,859,839	$1,859,839	$1,922,969	$1,922,969	$63,130	$63,130
Cost of gas for travel	$167,749	$178,085	$1,112,820	$1,181,382	$1,013,633	$934,735
Cost of travel time spent	$290,520	$392,542	$1,393,338	$1,882,639	$1,592,120	$1,000,796
(X) Time on waitlists						
(X) Choice						
Total costs	$2,318,108	$2,430,466	$4,429,127	$4,986,991	$2,668,883	$1,998,661
Benefits						
Benefits to parents of using childcare services	$1,859,839	$1,859,839	$1,922,969	$1,922,969	$63,130	$63,130
Total benefits	$1,859,839	$1,859,839	$1,922,969	$1,922,969	$63,130	$63,130
Net Benefit	($458,269)	($570,627)	($2,506,158)	($3,064,022)	($2,605,753)	($1,935,531)

In this case, the impacts of the policy change differ for each affected party. The policy change provides a higher net benefit than the status quo for the federal government at $665,728, but the policy change generates negative net benefits (i.e., cost) compared to the status quo for families at **($2,605,753) – ($1,935,531)**. Given the current non-monetized costs and benefits, and assigning each party equal standing, the net benefit of the policy change for the entire community would be **($1,940,025) – ($1,269,803).**

J. PERFORM SENSITIVITY ANALYSIS

How accurate is the analysis provided in this paper? The assumptions listed up front capture some of the uncertainty that exists in this topic. However, this section digs into the data that was provided and explores its true accuracy.

This study uses the average cost of childcare between Monterey, Santa Cruz and Santa Clara Counties to determine the average amount charged by commercial providers within 50 miles of POM. There are two potential issues with this method—1) not all cities in these counties have NAEYC-accredited centers and 2) not all of Santa Clara County is located within 50 miles of POM. Because the amounts charged by childcare centers can vary by city (as the cost is based upon customers' willingness to pay, which is based upon what families can afford), the averages by county may be different from what these centers actually charge. Average childcare costs are not available by city, so this paper compares the median pay of families in cities with NAEYC-accredited centers that within 50 miles of POM with the median pay of families in these counties overall (United States Census Bureau, 2019).

The highlighted cells indicate the cities that contain NAEYC-accredited centers. Cities too small to have census data are omitted from the tables.

Table 18. Median Family Pay—Monterey County

City	Median income	City	Median income
Marina	$60,410	Gonzales	$53,690
Monterey	$73,942	Greenfield	$50,553

City	Median income	City	Median income
Pacific Grove	$80,788	King City	$39,443
Salinas	$54,864	Soledad	$55,917
Seaside	$57,653		
Monterey County	**$63,249**	**Monterey County (adjusted)**	**$62,153**

Table 19. Median Family Pay—Santa Cruz

City	Median income	City	Median income
Santa Cruz	$65,421	Watsonville	$51,548
Scotts Valley	$101,404	Soquel	$83,673
Ben Lomond	$77,552	Live Oak	$72,630
Rio del Mar	$97,284	Aptos	$84,559
Santa Cruz County	**$73,663**	**Santa Cruz County (adjusted)**	**$65,421**

Table 20. Median Family Pay—Santa Clara

City	Median income	City	Median income
San Jose	$96,662	Campbell	$108,498
Santa Clara	$108,609	Morgan Hill	$107,161
Sunnyvale	$118,314	Los Altos	$208,309
Palo Alto	$147,537	Saratoga	$173,136
Mountain View	$120,351	Stanford	$60,357
Cupertino	$153,449	Los Altos Hills	$248,218
Milpitas	$110,752	San Martin	$108,611
Gilroy	$86,742	East Foothills	$159,811
Los Gatos	$132,671	Alum Rock	$79,889
Santa Clara County	**$106,761**	**Santa Clara County (adjusted)**	**$125,056**

Median pay of all three counties

63,249*265 + 73,663*82 + 106,761*740 / 1,087 = $93,656

Adjusted median pay of all three counties

62,153*265 + 65,421*82 + 125,056*740 / 1,087 = $105,222

As the adjusted median pay is higher than the median pay of all three counties, the average childcare costs used in this paper should be appropriate. In fact, following the logic directly, the costs could be increased by over 10% for the purposes of the analysis. However, to be conservative, this paper will simply use the childcare costs by county as provided. The result is a potentially lower cost to families for the alternative. If the policy change ended up being the more cost-efficient choice, then this risk of costs actually being higher would need to be considered.

K. RECOMMENDATION

The impacts of the policy change differ between the federal government and families in the POM military community who utilize childcare services. The policy change results in a positive net benefit of $665,728 for the federal government, and a negative net benefit of **($2,605,753) – ($1,935,531)** for families.

As discussed in Section E (Identify the Impact Categories), this study does not monetize some costs and benefits because no appropriate methodology to do so could be determined. Depending on the relative weights given to each of these non-monetized costs and benefits (and/or if methods to monetize them were discovered), future studies on this topic could provide different results. For example, control over waitlists is important today as an enabler of readiness. However, if supply of childcare spaces exceeded demand at some point in the future, then control over waitlists would be less beneficial. These circumstances could alter the decisions that would result from this analysis.

This study identifies two parties with standing- the federal government and families in the POM military community that utilize childcare. This study treats each party equally. However, if one party were determined to have greater standing than the other, this could influence the results. For example, if costs to the federal government were the overriding

concern, to the exclusion of all others, then costs and benefits to families would have no impact. In this case, only Table 16 would be considered, leaving the policy change as the most beneficial choice with its positive net benefit.

Another factor to consider is this study only analyzes the year of implementation. As one of the benefits of the status quo is "control of costs," executing the alternative could conceivably lead to a significant increase in childcare costs to families (not so much to the federal government due to the $1,500 cap on how much providers can charge) if commercial providers raised their rates. This is definitely a possibility, at least in the short-term, due to the decrease in childcare spaces that would result from the closure of the CDC. Therefore, additional future impacts of the policy change should be considered in any decision.

Given the current non-monetized costs and benefits, and assigning each party equal standing, the net benefit of the policy change for the entire community would be **($1,940,025) – ($1,269,803).** While all of the factors discussed above could alter future decision-making on this topic, given the scope utilized within this study, this cost benefit analysis recommends the status quo with consideration for the entire affected community.

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