



# Setting Your Rates In Your Family Child Care Home

*Quality Child Care Impacts Everything*

**HANDOUT #14**



## How Much Should I Charge?

How much you charge for child care depends on several things:

- The services you provide
- The established “going rate” in your community
- The income level of your potential customers
- The challenging part is balancing your financial needs with what parents are able to pay.

## What Income Do You Need?

To make this determination, ask yourself the following questions: What are my expenses? Do I have other sources of income? How many people do I support? How many hours a day or days a week do I want to operate my business? Above all, make sure you guarantee yourself a decent living wage. You are providing a valuable, professional service and you have the right to be paid accordingly – you’re not just a babysitter!

Sections of this article are reprinted from *Family Day Care Handbook*, “Setting Your Fees” by Dan Belim, California Child Care Resource and Referral Network, and the Tax Guide developed by the California Federation of Family Day Care Association, Inc.

## Determining Your Business Expenses

Make sure your fees cover ongoing expenses. These include direct child care business expenses, legal and tax fees, groceries, household supplies and other related expenses.

**Food for the children:** Decide what meals you will provide: breakfast, lunch, dinner, two snacks? The most common meals provided are lunch and two snacks. If you are reimbursed by a food program for these expenses, you may be able to lower your charges to parents, but you may not charge parents extra for food.

**Toys and equipment:** Think about start-up costs for cribs, wheeled toys, small games, books, toys, car seats and outdoor play equipment. Budget for repair and replacement of these items and consider if new or used items are a better investment. Be sure to save your receipts.

**Supplies:** Consider a variety of curriculum supplies: paper, paint, clay, pencils, pens, sand and art. Household and medical supplies such as: fire extinguishers, toilet paper, laundry soap, first aid, disinfectant, napkins, paper towels, tissues, liquid hand soap, diapers and wipes. These all need to be included as business expenses.

**Other business expenses:** You may have extra expenses such as: advertising, substitute salaries, education, training, association dues, mileage, insurance, legal and tax fees. Family child care providers licensed for 12 or 14 children need to budget for staff costs, benefits and payroll taxes.

**Related expenses:** Normal family expenses may increase due to the child care business. These may include maintenance of the home such as painting, landscaping or cleaning services. A portion of the rent, utilities or telephone costs should be figured as a business expense when budgeting.

## Should You Charge a Flat or Flexible Rate?

You may charge a flat weekly rate or flexible rate. A flat rate is appropriate for a full-time child. The same rate can be charged whether the child is absent on a particular day or not. For school-age children who come only in the afternoons, or for children who come on an irregular basis, an hourly rate may be preferable. A daily rate could apply to children who come only on certain days, such as Monday, Wednesday and Friday. You may also add extra fees for extra services, such as special foods for a particular child, and a higher "overtime" rate when parents arrive late to pick up their child at the end of the day.

## Important Considerations

**Parent preference:** Parents are looking for the best child care. However, "best" has a different meaning to each family. While you need to develop a program that provides a healthy, safe and secure place for children, you should also determine what methods you will use in discipline or toilet training. What curriculum or learning activities will you use? Do you have pets? Do you provide a smoke-free environment? Do you provide transportation? Which meals and/or snacks will be provided? What time do you open for child care services? Will you provide child care hours for families who work or go to school during evenings, weekends or overnight? All these affect whether the parent chooses your service or someone else's. Learn what parents are looking for, then decide if you want to provide those services.

**Enrollment:** When planning a budget for operation of your child care business, keep in mind that you will not always be full.

**Absences:** Sickness, holidays and family vacations are somewhat predictable. You can plan for these ahead of time by including clear policies on whether parents will pay for these days in your written contract for services.

**Provider vacations:** Your own vacation time can also be planned and included in your budget. Be clear about the times when the child care program will be closed. If you plan to close your home, these days should be included as an expense covered by your annual income.

**Changes in the family situation:** Unemployment, school schedules, residency changes, divorce or illness cannot easily be anticipated and often result in children leaving child care with very short notice. Determine how much notice (e.g. one week) you will need in these cases. Give yourself some time to fill the vacancy. Be sure to call Child Action at (916) 369-0191 or the 24-hour provider update line at (916) 369-3360 when you have openings.

## Openings Depend on Many Factors

**Community need:** Make sure your services fit the needs of your community. Are there families with young children or is it an aging community? Is there long-term or short-term growth? Do parents in your neighborhood work? Do they go to school? How old are their children? Do they need care for infants? Toddlers? Preschoolers? School-age children? How many providers are currently serving this community? In some areas of the county providers are full and keep waiting lists, while in other areas providers always have openings.

**Ability to pay:** While there may be a need for child care in your community, parents may be using informal arrangements because of cost. They just may not have the money to pay for child care services. There are programs in Sacramento that pay the cost of child care for low-income families. Familiarize yourself with these programs and refer parents who need help. If you would like more information, visit the Child Action website at: [www.childaction.org](http://www.childaction.org).

**Payment policies:** Decide when you expect to be paid. You may want to accommodate the parents' pay schedule. Are most of them paid monthly, twice a month or weekly? On the other hand, you shouldn't inconvenience yourself if you need to be paid more regularly in order to meet bill payments and other child care expenses. Asking to be paid at the beginning of the month or the beginning of the week is certainly reasonable.

If a parent has more than one child in your program, you might offer a lower rate for the second child. If you feel that some parents in your program have a difficult time paying your rates, you might set a discounted rate or develop a "sliding fee scale" based on income. Whatever policies you develop, be sure to offer them fairly to all of your parents. Remember you cannot charge more for children with special needs.

**Changing your rates:** If you feel it is necessary to change your rates, it is best to give parents enough time to adjust their own budgets. Pick a time every year to assess your financial situation and make your changes then. This might be January 1st of every year or the beginning of the school semester. Let parents know in writing when and by how much the rates will be changing. It is very important that your policies regarding fees be clear and that they work for you. Many misunderstandings can be avoided if you specify your policies in writing and sign an agreement with each parent in advance. For more information on contracts, call Child Action at (916) 369-0191.