



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Setting Rates: Why, when and how

Mary Graham, Executive
Director of Children's Village



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Agenda

- Why is this issue important? Why now?
- Strategies for rate setting
 - Increasing current rates
 - Calculating actual cost of care per age group
- Next Steps



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

The Moment

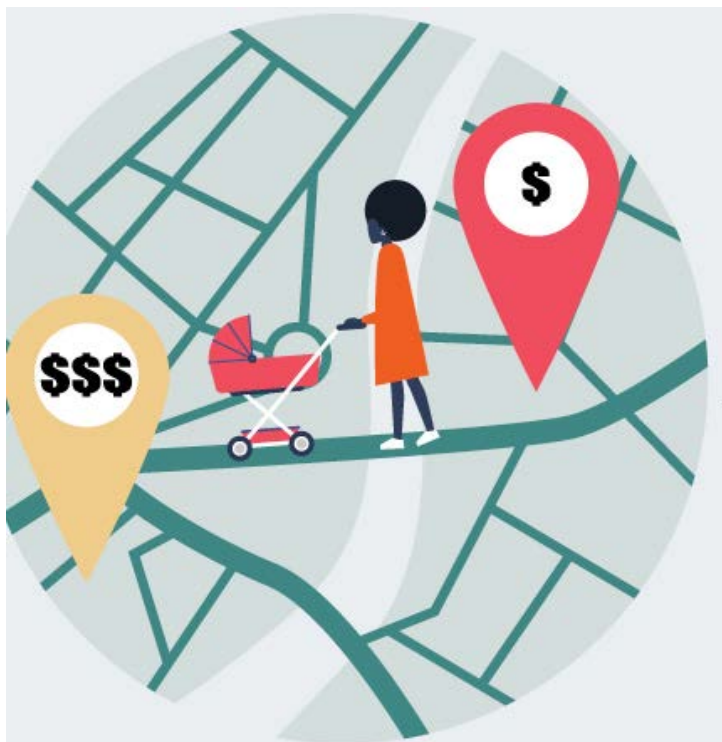
- OCDEL increased CCW base rates effective January 1, 2022
- You will NOT be able to fully benefit from the rate increase if your published private tuition fees are LOWER than the new base rate
- Increase your private tuition now to benefit from the upcoming CCW rate increase



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Current Reality: **Market-Based Finance**



- ▶ Market prices are NOT a good proxy for the cost of child care
- ▶ Market prices typically reflect regional family incomes, NOT the cost of delivering care
- ▶ Market prices are therefore the **LOWEST** in low-income neighborhoods
- ▶ Market prices rarely reflect the higher cost of infant care.
- ▶ Thus, providers that serve babies or are in low-income areas are least able to offer high-quality care or pay decent wages.



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Pennsylvania's Maximum Child Care Allowance (MCCA) Daily Rates

(effective January 1, 2022)

Region	Provider Type	Full-Time Care					Part-Time Care				
		INFANT	YOUNG TODDLER	OLD TODDLER	PRE-SCHOOL	SCHOOL-AGE	INFANT	YOUNG TODDLER	OLD TODDLER	PRE-SCHOOL	SCHOOL-AGE
15	CENTER	\$50.00	\$48.40	\$45.40	\$43.00	\$40.00	\$39.00	\$37.00	\$35.20	\$33.00	\$28.62
	GROUP	\$40.00	\$37.00	\$36.00	\$35.00	\$32.00	\$33.00	\$33.00	\$31.00	\$30.00	\$27.40
	FDCH	\$40.00	\$37.00	\$34.00	\$33.00	\$30.00	\$31.00	\$30.00	\$28.00	\$26.00	\$25.00
	R/N	\$16.63	\$16.07	\$15.51	\$15.51	\$15.51	\$12.55	\$14.09	\$13.24	\$12.68	\$10.94
16	CENTER	\$55.00	\$52.40	\$50.80	\$47.80	\$50.00	\$48.00	\$43.00	\$40.20	\$36.00	\$30.80
	GROUP	\$39.00	\$39.00	\$36.40	\$33.80	\$35.00	\$32.00	\$32.00	\$32.00	\$32.00	\$32.00
	FDCH	\$36.00	\$36.00	\$36.00	\$36.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00	\$30.00
	R/N	\$16.63	\$16.07	\$16.07	\$16.07	\$16.07	\$16.07	\$16.07	\$14.94	\$13.24	\$15.68
17	CENTER	\$61.00	\$57.40	\$55.43	\$51.44	\$50.00	\$50.20	\$46.20	\$43.00	\$39.00	\$27.25
	GROUP	\$46.00	\$44.00	\$44.00	\$40.00	\$40.50	\$30.00	\$30.00	\$30.00	\$25.00	\$25.75
	FDCH	\$40.00	\$40.00	\$40.00	\$38.00	\$35.00	\$40.00	\$40.00	\$39.00	\$38.00	\$27.00
	R/N	\$18.00	\$16.63	\$16.63	\$15.96	\$15.28	\$14.09	\$14.94	\$14.37	\$13.24	\$13.53
18	CENTER	\$49.40	\$46.00	\$42.00	\$39.80	\$35.00	\$41.00	\$39.00	\$36.00	\$32.00	\$29.00
	GROUP	\$42.69	\$40.00	\$37.00	\$34.00	\$30.60	\$36.00	\$33.00	\$31.00	\$28.00	\$25.30
	FDCH	\$40.00	\$38.00	\$36.00	\$34.00	\$31.00	\$34.00	\$32.00	\$30.00	\$29.00	\$26.29
	R/N	\$16.07	\$16.07	\$15.51	\$14.59	\$16.63	\$13.24	\$13.24	\$13.24	\$12.68	\$13.24
19	CENTER	\$63.00	\$60.14	\$58.00	\$51.50	\$47.00	\$55.00	\$50.00	\$47.00	\$40.15	\$27.95
	GROUP	\$40.00	\$40.00	\$40.00	\$40.00	\$40.00	\$44.00	\$44.00	\$43.00	\$40.00	\$25.00
	FDCH	\$40.00	\$40.00	\$35.00	\$40.00	\$40.00	\$37.50	\$34.00	\$34.00	\$30.00	\$25.00
	R/N	\$18.62	\$18.62	\$17.66	\$16.63	\$15.79	\$13.69	\$13.24	\$13.69	\$14.94	\$11.99



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Advocacy

- CCDF provides flexibility to states around CCW rate setting
- PA uses market rates, but could use true cost of care to set CCW payment rates
- Providers need to calculate true cost of care and show legislators and policy makers the differential between actual costs and CCW reimbursement rates
- Find levers - America's Rescue Plan, PACCA, parents, etc.



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Private Tuition

- Establish what parents pay
- Establish the maximum that CCW will pay
 - CCW will not pay a provider a higher (base) rate than private pay tuition
 - If a private pay family cannot pay the full tuition and does not qualify for public funding, the provider can accept less tuition ONLY IF the provider has a scholarship fund from which the remaining tuition is drawn (from the balance sheet to the income statement)



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Setting New Tuition

- Increase current tuition
 - Across the board percentage
 - Varying percentages based on age bands
 - Special considerations for part-time tuition
- Calculate cost of care per age group



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Increase Current Tuition

- When did you last increase tuition?
- How balance that infant-toddler care is most expensive already but typically parents are at earliest stages of their earning power?
- How can your tuition compete with free PHLpreK?
- Consider inflation as a percentage increase?



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Part-Time Tuition

Establish policies that offer flexibility to families and financial stability for your program

- Part-day?
- Part-week?
- Minimum levels of enrollment?
- Only for limited age groups?

Add a “convenience fee” to part-time rates to reflect additional risk and work required

- Multiple sets of paperwork
- Multiple parent/teacher conferences



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Example: Setting Part-Time Tuition

Family that wants to enroll their infant for 3 days per week:

- Weekly infant rate is \$234.30
- Divide by 5 to get the daily infant rate of \$46.86
- Multiply by three or \$140.58
- Multiply by 130% to total \$182.75 as the infant 3-day per week weekly rate

Family that wants two days of infant care:

- Multiply the \$46.86 daily rate by two
- Multiply by 150% to calculate \$140.58 as the infant rate for two days of care per week.

Matching part-time schedules for a week:

- \$182.75 for infant attending three times per week
- \$140.58 for infant attending two times per week
- Adding the two together generates \$316.31 per week, or more than the \$234.30 per week for one, full-time infant.



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Calculate Cost of Care per Age Group

Data Needed

- Average annual enrollment per age group
- Annual expenses
- Annual expenses per age group



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Calculate Cost of Care per Age Group

Process Needed

- Track enrollment weekly by classroom by age group by funding source
- Create departments within payroll to classify teachers by age group taught
- Create an allocation methodology for non-classroom personnel and all other costs not specifically differentiated by age group
- Do the math:
 - Total expenses per age group
 - Divide expenses by average enrollment for that age group
 - The result is average cost per child per age group

Tracking Enrollment

- Enrollment vs. attendance
 - Enrollment records payment for a slot; attendance records presence in the building
- Tracking enrollment by classroom, by age group, by funding program
- Requires measurement of children as Full Time Equivalents (FTEs)

Full Time Equivalent Rates

# of days child is enrolled	Full Day or Part Day	FTE VALUE
5	Full Day	1
4	Full Day	0.8
3	Full Day	0.6
2	Full Day	0.4
1	Full Day	0.2
5	Part Day	0.5
4	Part Day	0.4
3	Part Day	0.3
2	Part Day	0.2
1	Part Day	0.1

Full day = 5 or more hours; part day = less than 5 hours per day



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Current Enrollment Totals Report Example

CURRENT ENROLLMENT – SAMPLE WEEKLY TOTALS

Enrollment/Withdrawals for the week of: 1/1/2018 Enrollments, withdrawals, funding & classroom changes on this date, or on or after Monday of the previous week.

FUNDING SOURCE				SCHEDULE							CAPACITY		OPENINGS				
CLASSROOM	Subsidy Only (SO)	Private Pay (PP)	Head Start	Head Start/Subsidy	Child	Mon	Tues	Wed	Th	Friday	Source	FTEs	Desired Room Capacity	Actual Capacity	Toddlers	PRESCH	AS
101	7	3			J.M.	X	X				SO	.40	10	10	0		
					E.P.			X	X	X	SO	.60					
					Sub Total												
102	5.4	1.4			M.G.			X	X		PP	.40	10	6.8	3.2		
					B.B.	X	X				SO	.40					
					Sub Total												
SUBTOTAL TODDLERS	12.4	4.4												16.8			
201	4	3	8	5	HEAD START CONTRACTED SLOTS = 20 HEAD START ACTUAL = 20							20	20		0		
202 PS	3	2	5	2								20	12		8		
SUBTOTAL PRESCHOOLERS	7	5	13	7											32		
202 AS	20	2										24	22			2	
SUBTOTAL FUNDING SOURCE	39.4	11.4		20													

Enrollment Data

Track Weekly on Paper

Input into Annual Spreadsheet
by Week

Generate
Average FTEs
by Age Group

Use FTEs to Calculate
Cost of Care per Child
per Age Group &
Compare to Revenue
per Child per Age Group

Use FTEs to Determine
% of Children Enrolled
by Age Group

Use FTEs to Generate
Revenue Projections by
Age Group by Funding
Source



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Categorize Expenses by Age Group

- Personnel is your largest expense
- Ask your payroll company to create departments that are named to the age groups of children that you serve
- Assign all of your teaching staff to a department based on the ages of children they teach (the majority of the time)



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Allocate Other Costs

- Allocation is an estimation methodology
 - Square footage
 - Number of classrooms
- No right or wrong – key is consistency
- Costs to-be allocated can be found on your budget/chart of accounts and include:
 - Non-classroom staff
 - Insurance
 - Rent/mortgage
 - Utilities
 - Program and office supplies



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Allocation Example

- A program has 2 infant rooms and 1 preschool room
- The allocation methodology is based on a total of 3 classrooms
- All non-teaching staff costs are allocated 2/3 to infants and 1/3 to preschoolers



Cost of Care Per Age Group Example

- If a program spent \$250,000 on infant teachers and \$175,000 on preschool teachers annually
- If a program spent an additional \$106,250 on all other expenses annually
- Total infant expenses are \$250,000 plus \$70,125 ($\$106,250 \times .66$) or \$320,125
- If the average number of infants enrolled in both classrooms was 15
- The annual cost of care per infant is \$21,342 or $\$300,000/15$

CHILDREN'S VILLAGE COST PER CHILD BY AGE GROUP & RELATED CALCULATIONS

	Preschool	School Age	Toddler
Average total enrollment for year	204	150	49
Cost per child	\$ 14,555.01	\$ 12,616.33	\$ 21,462.95
% of TOTAL ENROLLMENT	51%	37%	12%
% of TOTAL EXPENSES	50%	32%	18%
% of GROSS PROFIT	57%	31%	12%



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Next Steps

- Calculate your cost of care per age group
- Increase current tuition
- Inform current families
- Modify parent handbook/contract
- Post new tuition fees in facility and on website
- Enter new fees into PELICAN



CHILDREN'S VILLAGE
sharing wonder every day

A National Model of Excellence in Toddler,
Preschool, and School-Age Care and Education

Resources

- Children's Village Business PD
- PHMC Office Hours with Mary Graham
- www.sharedsourcepa.org