

Childcare Financial Models

with a focus on Family
Childcare

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with a focus on
Family Childcare

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MAY 2023

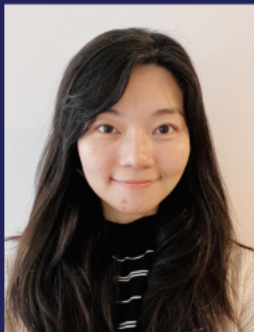
Hi there,

The purpose of this study is to explore the business and financial tools available to support childcare businesses in Massachusetts and childcare financial models in other countries. Additionally, the study delves into the financial figures and challenges specifically related to family childcare in Massachusetts.

Process
&
Timeline

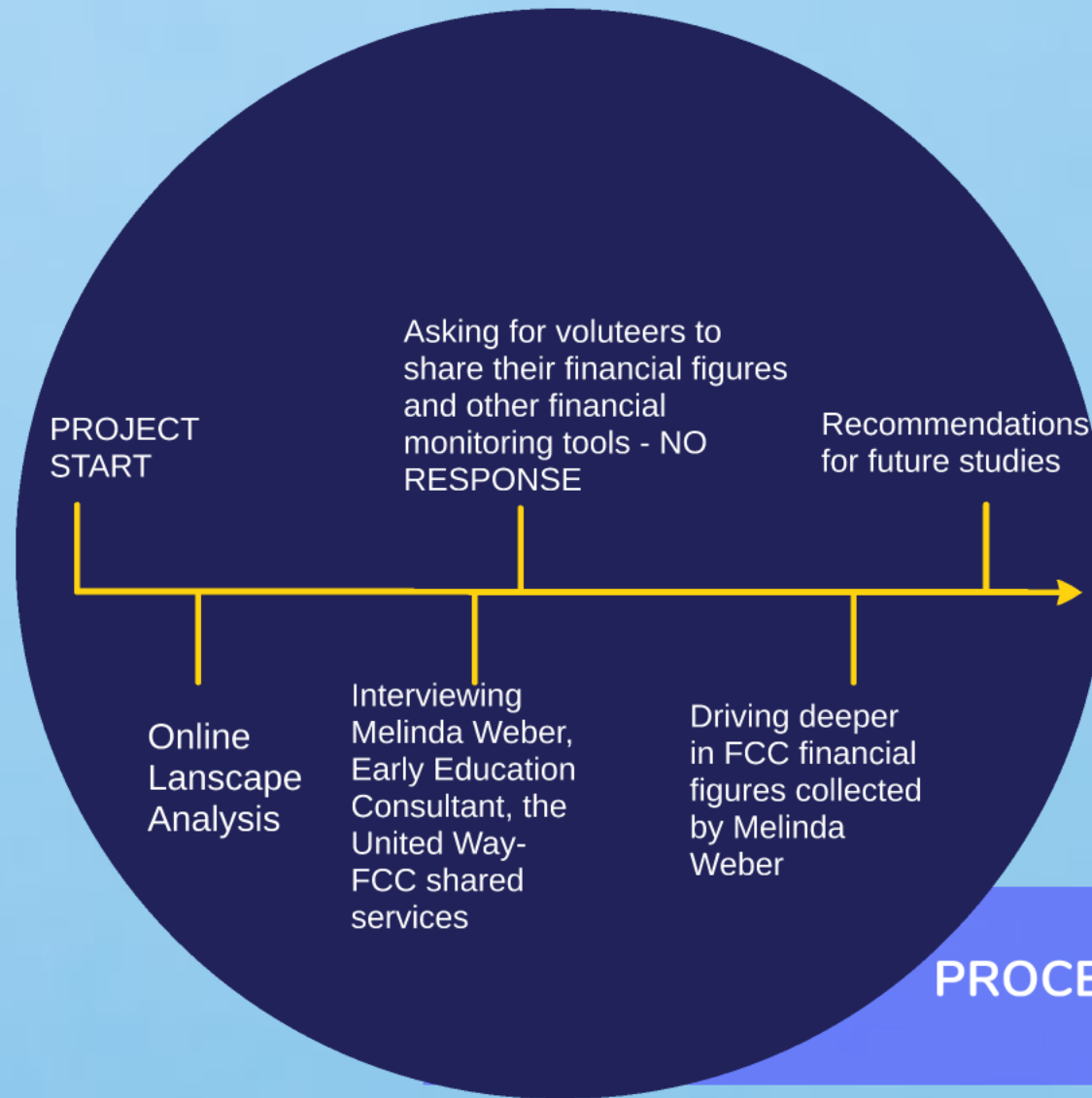
To My
Gratitude
and Thanks

About Me



Krongkan (Cherry) Bovornkeeratiroj,

A current graduate student in MA Leadership, Policy, and
Advocacy in Early Childhood Well-being at Boston University,
an intern at Strategies for Children,
A former financial auditor at KPMG Thailand, and
a mom of a two-year-old.



Throughout my experience, I have attended and/or participated in several early childhood field leaders and advocates in various meetings and events, including:

- The Early Childhood Agenda
- The 9:30 Call
- Boston UPK Advisory
- MPIT December Partner Convening
- Childcare Subsidy Report Release
- Operations Grants: Critical Funding for Early Education and Care
- Children's Funding Project with SFC
- EEC Board meetings (through online webinar)
- and more.

PROCESS & TIMELINE

Online Landscape Analysis

Upon researching financial models available online, this study discovered that the Opportunities Exchange and the MA Shared Services, which are run by the United Way of Massachusetts Bay and Merrimack Valley, offer financial literacy and business training support for childcare providers. I was able to find only one innovative childcare model that aims to retain staff and explored other models used in other countries. However, it is interesting that a straightforward financial structure for childcare is not easily accessible without research into layers of information.

Opportunities
Exchange

Shared Services
United Way of
Massachusetts Bay
and Merrimack
Valley

Innovative
Business
Model

Models in
other
countries

Opportunities Exchange

Our mission is to transform the business of early care and education to both improve child outcomes and also ensure that practitioners are well-compensated and work in supportive environments.

The Iron Triangle - A simple formula for Financial Policy in ECE Programs	Financial understanding and tools to monitor key measurements: enrolment, fees collected and revenue covers cost per child.
Using Metrics to Drive Quality and Sustainability in Early Care and Education Programs	Applying the Iron Triangle and providing financial tools/worksheets for providers to monitor key measurement
BUSINESS TRAINING AND AUTOMATION for Early Childhood Programs	Child Care Management Software is specifically designed to help child care providers automate their day-to-day operations
AGE MATTERS	Examining the Cost and Supply of Care for Infants and Toddlers
SUSTAINABILITY + TECHNOLOGY Making Business Leadership Real: The Role of Automation	Plan to guide a relationship between software vendor, Hub and participating providers.
Shared services, and other financial tools and information guideline for providers	Help early childhood leaders plan, launch, expand and sustain new ECE business models based on Shared Services principles.
MICRO-CENTER NETWORK	Multiple, one-classroom child care 'centers' located in an existing public or charter school, hospital, office building, community center, or the like, managed by a Network Hub.

Shared Services United Way of Massachusetts Bay and Merrimack Valley

An innovative approach to equip early childhood educators with the tools and resources they need to provide high-quality early education to the children in their care.

The Goal
of the
Program

An
Interview

Shared Services MA Web Platform	Early childhood educators throughout MA to access over 1800 vetted pedagogical resources, business tools and cost savings opportunities including discounts at Kaplan Early Learning, Discount School Supply, Food & Supply Source and ProCare Learning Solutions.
UMass Boston Institute of Early Education Leadership and Innovation	Co-design and deliver a Small Business Innovation Course and other business workshops to family and small center-based early education and care educators.
Boston Public Schools Universal PreK	Deliver business coaching and support to Universal PreK grantees.
Technology, Coaching and Community of Practice Meetings	One-on-one and group coaching to implement practices learned in workshops.
Train the Trainer' Education for Peer Leaders.	Deliver business workshops and 'train the trainer' education to family and center-based programs. Currently partnering with the cities of Boston, Everett and Cambridge.
Support with Business Practices	Optimal enrollment, tuition collected in full and on time, budget tracking, variance analysis

<https://unitedwaymassbay.org/our-impact/supporting-young-children/shared-services-2/>

Goal of the Program

The goal of the program is to support future family childcare educators, guiding them through the process of obtaining their license and providing the additional training necessary to open family childcare businesses in their own homes.

United Way is making the case to include \$1.3M in the 2023 Congressional Appropriations Bill

- Providing one-time stabilization stipends of \$2,500 to these front-line workers

- Delivering a multi-lingual family childcare business curriculum - Coaching and technical assistance from subject matter experts on such topics as tax and retirement planning and credit building to increase sustainability and therefore access to care in preferred languages for our most vulnerable children and families

- Providing instruction on screening for 1,200 additional children for developmental delays

<https://unitedwaymassbay.org/blog/an-often-overlooked-solution-to-the-early-education-crisis/>



An interview with **Melinda Weber**

VP of Shared Services,
United Way of Massachusetts
Bay and Merrimack Valley



Web
Platform

Business
Training

References:

<https://unitedwaymassbay.org/our-impact/supporting-young-children/shared-services-2/>

The web-platform that aims to reduce duplication of effort, increase collaboration among nonprofits, and ultimately help them better serve their communities.

Some of the services and resources offered by the Shared Services MA Web Platform include:

- Financial management and accounting support
- Human resources and payroll services
- Marketing and communications assistance
- IT and technology support
- Board development and governance training
- Fundraising and grant writing assistance
- Volunteer management tools and resources

https://unitedwaymassbay.org/wp-content/uploads/2021/04/20_SharedServices_Donors_OnePager_FINAL.pdf



Business Training & Support

6-week course package for childcare providers

- Focus on helping providers see themselves as leaders
- Provides budget tools & training sessions for efficient financial management
- Support in creating childcare contracts & policies
- Assistance in business planning & marketing strategies for growth and expansion
- Offers both one-on-one and group coaching sessions to cover budget coaching, retirement planning, and technology training

For more information, please contact Melinda Weber
(mweber@supportunitedway.org)



Innovative Business Model

Podcast & article: Innovative Business Model to Retain Childcare Staff by Marnie Forestieri, CEO of Young Innovators (Nov-2019)

An innovative win-win business model that encourages ownership, promotes accountability and has improved her staff turnover, program quality, and income.

Childcare management software for superstar mama
Parent communication, daily sheets, fast attendance, classroom management, billing, development reports

<https://www.himama.com/blog/preschool-podcast-marnie-forestieri/>

Childcare Financial Models in Other Countries

An Analysis of Successful Child Care Models
Report supported by The Community Foundation for South
Central NY, The Conrad & Virginia Klee Foundation, &
United Way of Broome County

Singapore	Maintaining competition among providers is an important aspect of the hybrid model in Singapore
Quebec	Quebec first enacted universal, low-fee child care under the 1997 Educational Childcare Act (ECA) (McClusky, 2018)
France	France provides free formal education to all three-year-olds, and to two-year-olds from families with financial need, as part of the public education system (Goux & Maurin, 2010).
Belgium	With public funding, people pay 6.6 Euro per child per day on average
Australia	Childcare is subsidised 50 per cent by the government

<https://www.uwbroome.org/wp-content/uploads/Early-Childhood-Education-and-Care-An-Analysis-of-Successful-Child-Care-Models-May-2021.pdf>

<https://www.irishtimes.com/life-and-style/abroad/childcare-around-the-world-how-other-countries-do-it-better-1.3626710>

Types of Family Childcare (FCC) Financial Models in MA

1. Fee-for-service model

Parents pay a fee for their child's care and education



Market rate

2. Grant-funded model

providers receive funding from government agencies, private foundations, or other organizations to support their operations.



Subsidy rate

3. Combination of funding models

Why Does Child Care Cost So Much Yet Providers Make So Little?



Combination of both market rate + subsidy rate

Expenses may include:

Rent or mortgage payments, utilities, supplies, insurance, and staff salaries



Pay out the expenses

Subsidy vs. Market rate

Narrow costs Analysis

How much does FCC make?

2022 FCC Budget Pilot Study



The subsidy rate < the market rate

Based on the latest study about the market rate survey by the Early Education and Care (EEC) in 2022, the subsidy rate is typically 50% lower than the market rate for infant, toddlers and preschool family childcare (FCC) in almost every region of Massachusetts.

As a result, childcare providers who accept subsidized children may receive lower payments than they would for non-subsidized children.

The red subsidy rates fell below the 50th percentile of market rates in the 2022 MRS.

Region	GSA Providers				FCC Providers			
	Infant	Toddler	Preschool	School Age	Infant	Toddler	Preschool	School Age
Region 1- Western	\$65.71	\$60.26	\$45.82	\$42.13	\$42.79	\$42.79	\$36.89	\$36.89
Region 2- Central	\$67.51	\$61.65	\$48.81	\$42.14	\$48.90	\$48.90	\$38.83	\$38.83
Region 3- Northeast	\$79.40	\$69.05	\$49.91	\$43.57	\$48.90	\$48.90	\$38.90	\$38.90
Region 4- Metro	\$90.41	\$82.08	\$63.22	\$44.79	\$73.34	\$73.34	\$44.38	\$44.38
Region 5- Southeast	\$65.71	\$61.65	\$47.03	\$42.14	\$48.90	\$48.90	\$38.83	\$38.83
Region 6- Metro Boston	\$85.68	\$79.86	\$50.37	\$44.79	\$55.00	\$55.00	\$39.94	\$39.94

FCC Expenses based on EEC narrow costs analysis in 2022

Table E6. Non-Personnel Expenditures for FCC

Non-personnel Expenditure Item	Licensed	Tier 3	Unit and Assumption
Food (food and kitchen supplies)	\$1,608	\$1,608	Per Child
Legal/Audit/Acct support	\$689	\$689	Per Site
Maintenance/Repair/Cleaning	\$4,939	\$4,939	Per site
Supplies & Equipment	\$2,297	\$2,297	Per child
Insurance/Liability	\$3,446	\$3,446	Per site
Staff training & education	\$459	\$459	Per staff
Rent/Lease/Mortgage	\$15,000	\$15,000	Per site
Utilities (gas, electric)	\$6,547	\$6,547	Per site
Consultation Services	\$500	\$1,000	Per Classroom
Transportation for field trips	\$230	\$230	Per child
Miscellaneous	\$2,297	\$2,297	Per site
Food (food and kitchen supplies)	\$1,608	\$1,608	Per Child



Average actual expenses
from anonymous family childcare (capacity 6-8 children)
based on information gather by Melinda Weber

Expenses

Expenses	Amount	Percent..
Food	10,128	14%
Utility	5,000	7%
Property taxes	4,269	6%
Mortgage	3,853	5%
Repairs	2,140	3%
Office supplies	1,500	2%
Entertain (music teacher)	1,000	1%
Gifts (celebration)	1,000	1%
Business library insurance	600	1%
Books& magazine	548	1%
Accountant	400	1%
Admission fees	500	1%
Cleaning supply	0	0%
Furniture	0	0%
Home insurance	0	0%
Licenses	0	0%
Rent	0	0%
Salary for expenses	0	0%

Please visit the full detail from: <https://www.mass.gov/doc/massachusetts-2022-market-rate-survey-and-narrow-cost-analysis-final-report/download>

How much does FCC make?

These data were summarized based on the average number of 5 samples of actual amount FCC (capacity 6-8 children, having both private and subsidy) individually gathered by Melinda Weber.

Excluding the C3 grants, Family Child Care (FCC) practices receive almost half the support compared to if they were receiving the grants, resulting in an average hourly rate of \$8.57. This is significantly lower than the average hourly wage for preschool teachers in public schools across the United States, which is \$18.16 according to data from May 2020 from the Bureau of Labor Statistics. In Massachusetts, the average hourly wage for preschool teachers was slightly higher at \$20.64 per hour.

	Amount	%
Incomes (with C3 grants)	73,000.00	100%
Expenses	30,937.74	42%
Net income	42,062.26	58%
<hr/>		
Take out the 3C grants	24,970.26	34%
FCC Rate per hour	8.57	

Income	Amount	Percent..
Tuition fees	52,308	72%
C3	17,092	23%
Food program	3,600	5%
Registration	0	
Other fees	0	0%
Late fees	0	0%
Holding fees	0	0%
CEF Grant Boston	0	0%
Activity fees	0	0%

Expenses

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Admission fees	500	1%
Cleaning supply	0	0%
Furniture	0	0%
Home insurance	0	0%
Licenses	0	0%
Rent	0	0%
Salary for expenses	0	0%



An interview with

VP of Shared Services,
United Way of Massachusetts
Bay and Merrimack Valley



Barriers
to
success

The Wage for Family Childcare

The latest study conducted by The CAYL Institute in 2022 that the average hourly wage for family childcare (FCC) practitioners in Massachusetts ranged from \$8.25 to \$9.88 without the C3 grant, and from \$9.32 to \$11.66 with the C3 grant. The differences in wages were based on the licensed capacity of the program.

These findings provide important insights into the financial challenges faced by FCC practitioners and the potential impact of grant programs on their earnings.

Please visit the full detail from: <https://www.cayl.org/wp-content/uploads/2022/03/2022-CAYL-Solutions-Family-Child-Care-Budget-Pilot-Report.pdf>

FCC Practitioner Average Hourly Wage: With & Without Access to MA's Commonwealth Cares for Children (C3) Grant Income 2021

FIGURE B

Licensed Capacity of Program	Average Hourly Wage with Grant Income Adjusted to 0	Average Hourly Wage with C3 Grant Disbursement	% Increase
6	\$9.88	\$11.66	18.02%
8	\$8.25	\$9.32	12.97%

Note: These averages exclude one program who reported operating at a loss, and all programs who reported employee wages.

Barriers to success for family child care providers in MA

Language: For family childcare providers who are not fluent in English, communication with parents, licensing authorities, and other stakeholders can be a major barrier. This can make it difficult for them to navigate the licensing process, access resources, and provide quality care.

Technology: Many family childcare providers may lack access to technology or have limited knowledge about online tools and resources. This can limit their ability to connect with families, access training and resources, and participate in professional development.

Space: For family childcare providers who operate out of their homes, losing housing can cause immediate shutdown of their programs. This can be a significant barrier for providers who may not have access to affordable and stable housing.

Lack of knowledge about entering the field: Many potential family childcare providers may not be sure how to enter the field or may not have the necessary tools and resources to become qualified providers. Providing support in the form of training, mentoring, and licensing assistance can help address this barrier.

Sustainable cost models: Family childcare providers may struggle with the high costs associated with providing quality care, such as administering paperwork, complying with regulations, and hiring additional staff. Providing administrative support, simplifying the licensing system, and promoting sustainable cost models can help address this barrier.

Efficiency and tools: The regulations and licensing process for family childcare providers can be complex and time-consuming, which can make it difficult for providers to comply with requirements and provide quality care. Streamlining the regulations and licensing process, and providing tools and resources to help providers meet the needs of children and families, can help address this barrier.



An interview with

VP of Shared Services,
United Way of Massachusetts
Bay and Merrimack Valley



Recommendations

Short-term

Long-term

These recommendations could be directed to policymakers, academics, or nonprofit organizations who are interested in promoting quality childcare and understanding the financial models that drive it. By studying the financial components of childcare businesses, policymakers and stakeholders can identify ways to promote successful business models and improve access to quality care for families.

Short-term Recommendations

1. **Gather demographic data:** Collect financial information from both center-based and family childcare providers to analyze the financial components of their business. Conduct interviews with providers and teachers to study patterns of successful and struggling financial models of current childcare businesses.

Potential agency: a new quasi-public organization

2. **Evaluate grant/funding effects:** Identify the financial effects of grants and funding on hourly wages of teachers/providers in different childcare business models.

Potential agency: nonprofit organizations

3. **Study innovative education approaches:** Evaluate the financial effects before and after adapting innovative education approaches, such as Boston UPK.

Potential agency: EEC, Government agencies, nonprofit organizations

4. **Create easy toolkit:** Develop an easy toolkit for providers who are not familiar with numbers to collect financial data.

Potential agency: nonprofit organizations, academic institutions

5. **Identify successful business models:** Conducting case studies of successful childcare businesses could provide valuable insights into what financial and business management strategies work well in the industry.

Potential agency: nonprofit organizations, academic institutions

Long-term Recommendations

- 1. Centralize and connect financial data:** Centralize and connect childcare financial data to study the actual costs of quality childcare in each business model in related to revenues in each domestic region.
- 2. Develop an adjustable financial simulator:** Create an adjustable financial simulator for childcare businesses to predict the financial effects of each funding and innovative model, such as Boston UPK.

References

Opportunities Exchange: <https://www.oppex.org/additional-resources>

Shared Services United Way of Massachusetts Bay and Merrimack Valley <https://unitedwaymassbay.org/our-impact/supporting-young-children/shared-services-2/>

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Thank you...

To all at Strategies for Children, I give my thanks,
For the support and kindness shown throughout my ranks.
Titus DosRemedios, my supervisor and friend,
Guided and mentored me until the very end.

Amy O'Leary, a leader so warm and kind-hearted,
Connected people and opened their eyes.
Melinda Weber, with her wealth of knowledge,
Supported family childcare, which we acknowledge.

To Ellie and Karen, my advisors so kind,
Who crafted a program that's been on my mind.
Your guidance and advice have been a treasure,
I'll always be grateful for the memories and pleasure.

To all, a heartfelt thank you, simple and true,
For making this internship a journey anew.
Your kindness and wisdom I'll carry with me,
As I pursue a future with hope and glee.

Krongkan (Cherry) Bovornkeeratiroj,

An international, graduate student in MA Leadership,
Policy, and Advocacy in Early Childhood Well-being,
an intern at Strategies for Children,
A former financial auditor at KPMG Thailand, and
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