

# How to Raise Your Rates

Presented By Tom Copeland

For Quality Care for Children and Professional Family Child  
Care Alliance of Georgia

# Business Support Services

## **Monique D. Reynolds**

Director of Business Support Services

**Business Support Services** are designed to give child care owners the business resources, tools, and hands-on support needed to sustain and excel their business. **Services currently offered:**

- \* Provider Resource Hub
- \* Provider Facebook Group
- \* Automation Grants & Assistance
- \* Business Coaching
  - Business Leadership Training & Development Program-Centers
  - Marketing & Business Operations Program-Family Homes
- \* SBA Loan Application Assistance Program



# Upcoming Training and Events

**Friday, May 22, 2020 at 9:00-12:00**

GAEYC Film-No Small Matter (3 hrs. BFTS Training Credit)

**Tuesday, May 26, 2020 at 6:00PM**

Child Care Community Connections

**Thursday, May 28, 2020 at 6:30PM**

Child Care Business Matters!

<https://www.facebook.com/groups/GAQCC>

# Contact Information

Provider Membership Request

[www.providerresourcehub.org](http://www.providerresourcehub.org)

During COVID-19, membership is FREE

# Please Check the PFCCAG website:

[pfccag.org](http://pfccag.org)

- \* **Website Recently Revised**
- \*
- \* **Intent: Help FCC Providers and “Small Centers” Cope with COVID 19 Crisis**
- \*
- \* **COVID 19 Section Pages Include:**
- \*
- \* Frequently Asked Questions (FAQs)
- \* Helpful Resources.
- \* News (Late Breaking)
- \* PFCCAG’s Crisis Management Team
- \* Ask Us Questions
- \*
- \* **Separate Page for Spanish Speaking Providers**





# PFCCAG COVID 19 FCC Crisis Management Team

- \* **PFCCAG established the COVID 19 FCC Crisis Management (CM) Team on 3/21/20**
- \*
- \* Organize a single-minded effort to address the COVID 19 Crisis on behalf of Georgia family child care (FCC) providers, “small” child care learning centers, and the families/children they serve.
- \*
- \* Help individual FCC providers and the families/children they serve.
- \*
- \* Represent PFCCAG members, and other providers, to decision makers needing information, advice, or decisions.
- \*
- \* Achieve coordination with government (local, state, national) and partner organizations also addressing the COVID 19 crisis.



# What Does the PFCCAG CM Team Look Like

- \* **As of 5-20-20,-- 37 CM Team members (75% are current or former FCC providers)**
- \* **Meets Weekly**
- \*
- \* **Organized into Crisis Management Work Groups (CMWGs).**
- \* Administrative
- \* Communications
- \* DECAL Programs
- \* National and State Policy Organizations
- \* Parent and Child Support
- \* Provider Business Recovery and Survival
- \* Provider Economic Support
- \* Provider Healthy Operation
- \* *Two additional subcommittees, one to support Spanish speaking providers and one to coordinate with local FCC Associations.*
- \*
- \* **How Does PFCCAG Serve as Your VOICE in Georgia?**
- \* Weekly DECAL (Commissioner and Deputies) Calls with Key Stakeholders
- \* Member of Recently Formed *Child Care Crisis Roundtable*
- \* PFCCAG Quoted in AJC Article “Day care, crucial...becomes scarce

# Tom Copeland

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# Disclaimer

- \* “I am not rendering legal, tax, or other professional advice. If you require this type of assistance, please consult a professional to represent you.”

# Welcome!

- \* This class will enable you to:
  - \* Identify strategies to deal with parent fees in a time of financial crisis for everyone
  - \* Identify the 3 key factors to base your rates on
  - \* Identify when to raise your rates and by how much
  - \* Explain your rates to parents

# Troubled Financial Times

- \* This may not be the best time to talk about raising your rates
- \* However, we need to discuss what you can do during a financial crisis to protect your business and maintain financial stability
- \* As we ease out of troubled times in the coming months (hopefully), how should you think about your rates?

# Getting Paid Now While Open

- \* If you are open now you can enforce your tuition rates, even if parents choose to keep their child at home
- \* You can decide to lower your rate, or not charge parents
- \* It's not illegal to treat parents differently about your rates due to “special circumstances”
  - \* Single parents, parents on unemployment, parents who are essential workers, etc.

# Holding Fees

- \* You can charge parents a holding fee to hold their spot until they are ready to come back
- \* Your holding fee can be whatever you want
  - \* A flat amount, or 50% or 100% of your normal tuition
- \* I don't recommend applying a holding fee to care once care begins

# Getting Paid When You are Closed

- \* If you are closed you can't charge parents unless your contract says they must pay in the event of a public health emergency, or words to that effect
- \* You can get the parents to sign a new agreement that says they must pay
  - \* They must sign it for it to be enforceable
- \* You can charge your normal tuition or less – up to you
- \* You can also treat parents differently based on “special circumstances”

# Should You Charge Parents?

- \* Most everyone is suffering financially, including the parents in your program
  - \* However, you are also probably suffering financially
- \* Don't assume that all parents are worse off than you
- \* You deserve to be paid for your work
- \* You want to be around when this crisis is over and parents need child care
  - \* Therefore, set a fee policy now and enforce it – feel free to make exceptions to parents who demonstrate a need



# **Setting Rates When the Crisis Has Passed**



# Will Parent Demand be Different?

- \* As parents start going back to work they may be looking for less than full-time care
  - \* They may be making less money and can't afford full-time care
- \* You may want to consider offering part-time care
  - \* Second shift, part days, fewer days per week
  - \* If you change your hours, notify your licensor and business liability insurance agent

# How to Charge for Part-Time Care

- \* The fewer hours in a week you are providing care, the more per hour you should be charging
- \* If you charged \$150 a week for 50 hours of care = \$30 per day or \$3 per hour
- \* For one day of care your daily rate could be \$40+ per day
- \* Your hourly rate could be \$5+ per hour
- \* Your drop rate could be \$7+ per hour

# Getting Paid and Unemployment

- \* If you are being paid (whether you are open or closed), you must report this income if you are claiming unemployment
- \* This may or may not disqualify you for claiming unemployment benefits for the weeks you are being paid
- \* Money received from the SBA loan programs (EIDL and PPP) must be reported as income when claiming unemployment



# **Raising Rates When the Crisis Has Passed**

# You are in Charge

- \* One of the biggest benefits of being a provider is that you are the boss.
- \* You can set your own rates for private pay parents
  - \* They can be higher than state subsidy rates
- \* You can keep private pay rates the same or raise them

# General Thoughts About Rates

- \* Money can be an emotional issue
- \* I am not advocating that you raise your rates
- \* You may be reluctant to raise rates for fear of losing parents who can no longer afford your program
- \* Some programs *want* to keep rates low to serve low income families

# Your Responsibility

- \* It's up to you to set your rates, enforce them and raise them
  - \* No class for parents “How to Pay More for Child Care”
- \* If you've never lost a private pay parent because of your rates – they are probably too low
- \* Rates are about right if you occasionally lose a private pay parent because of your rates
- \* Ultimate goal – match rates with quality

# How to Set Rates

Ideally you should set your rates based on

- 1) How much do you want to earn?
- 2) What is the going rate in your community?
- 3) What can parents afford to pay?



# How Much Do You Want to Earn?

- \* Look at what you are making today
- \* Divide your profit (income – expenses) by hours worked last year = hourly wage
- \* Example: \$20,000 profit (Schedule C, line 31) divided by 3,000 hours (Form 8829, line 4) (60 hours per week) = \$6.67 per hour
- \* Federal minimum wage: \$7.25 per hour
  - \*  $\$7.25 \times 3,000 \text{ hours} = \$21,750 \text{ profit (after expenses)}$

# What is the Going Rate?

- \* It's against the law to discuss rates with competitors
  - \* Price fixing
- \* You can collect rate information
  - \* CCRR, Craigslist, own informal surveys, talk to parents (beware of “average” rates)
  - \* It's not price fixing if the other person doesn't know you are a competitor
- \* If you offer high quality care, your rates should be in the top 20% of community rates

# What Can Parents Afford to Pay?

- \* Look at the upper end of what parents are currently paying at child care centers
- \* Resistance to higher rates often comes from child care programs, not parents
- \* 2008 survey found cost to be the 3<sup>rd</sup> most important factor for parents choosing child care behind safe and learning environment

# Some Parents Can Pay More

- \* Study found that 71% of parents would pay \$10-\$50 more per week to their current caregiver
  - \* The Study of Children in Family Child Care and Relative Care
- \* Child care programs don't regret raising rates, even if it meant losing a family

# The Purpose of Higher Rates

- \* If you are going to raise rates, do so to meet a financial goal
- \* Start by setting a financial goal
  - \* Reduce debt
  - \* Invest for retirement
  - \* Set up an emergency fund – for the next Pandemic!
  - \* Other

# Example

- \* Goal: save \$2,000 for retirement this year
- \* If you have 5 children = \$400 per child/year or \$7.69/week
- \* Raise your rates by \$7.69 per week and put it aside for retirement

# How to Think About Rates

- \* Give at least month advance notice of changes
- \* Don't raise rates in April or December
- \* September/January better
- \* Can raise rates only for new families
- \* May not want to raise for all at same time
- \* You can raise your rates at any time
  - \* Raise annually, 3% a year

# Higher Rates Can Make a Difference

- \* Current rate: \$140 per week
- \* 3% increase = \$4.20 more per week per child = \$218.40 more per child per year
  - \* 5 children = \$1,092 more in 1<sup>st</sup> year
- \* Second year 3% increase
  - \* \$2,217 more in income



# Rate Options

- \* Sliding Fee Scale
  - \* All rates set based on family income
- \* Discount Program
  - \* Fee reduction for a variety of reasons
- \* You are free to set up whatever program you want

# Sliding Fee Scale

- \* Private parents pay according to a set payment schedule based on family income
- \* Fee gradually increases with family income
- \* You can set the sliding fee based on any income scale you want
- \* You can take into account parent household size
- \* Can set lowest income on your scale at reimbursement rate for your area
- \* You can introduce sliding fee just to new parents

# Sliding Scale Example

## Annual Family Income

Over \$90,000

\$70,000 - \$90,000

\$50,000 - \$70,000

\$30,000 - \$50,000

\$20,000 - \$30,000

Below \$20,000

## Weekly Fee

\$150

\$140

\$130

\$120

\$110

\$100

# Sliding Scale Issues

- \* You must either ask parents directly what they earn, or parents can voluntarily tell you where they fall on the scale
- \* Parents may not know their income
  - \* Wages? Adjusted gross income? Taxable income?
- \* Do you base the income on last year or current year?

# Discounts

- \* Your program has one rate, but offers a discount for a variety of reasons
- \* You can have different discounts for different family situations
- \* Discounts can be permanent or temporary
- \* Discounts can be for
  - \* Family emergency, student, single parent, loss of job, relative

# Discount Examples

- \* “10% student discount”
- \* “No fee until after family funeral”
- \* “25% discount for grandchildren”
- \* “No increase in rates for 2014 for single parents”
- \* “Free day/week of care to for family emergency”

# Discount Issues

- \* More flexible than sliding fee program because they can be offered for many deserving reasons other than income
- \* May create confusion with parents if you aren't consistent in how you apply discounts

# Other Issues

- \* You are free to set up whatever type of rate program you want
- \* You shouldn't treat parents in the same situation differently
  - \* Offer discount to some students and not others
  - \* Give discount to one family and deny it to another with same income
- \* You can raise rates for all private pay parents and give 10% discount to everyone who pays cash.



# Implementation Issues

- \* If you set up sliding fee scale you are presenting it to all families
- \* You could raise your rates and tell parents you have a discount program if they want to ask for details
- \* Put your new program in writing
  - \* You can add “special circumstances” to give yourself more flexibility than what’s covered in writing

# Loss of Income

- \* You cannot deduct as a business expense your lost income
  - \* This includes offering discounts or scholarships
  - \* This includes you being closed for a month or parents leaving their children at home and not paying you
- \* When you report less income on your 2020 tax return you will pay less in taxes

# Illegal Discrimination

- \* You can't discriminate with your rate program based on
  - \* Race, color, sex, religion, national origin, disability
  - \* In Atlanta it's also illegal to discriminate based on sexual orientation, gender identity, marital/family/parental status
  - \* You can terminate a family for not paying on time, showing up late, not following your rules, etc.
- \* So, you can raise rates on families because of their income, but not just for men



# **Talking to Parents About Your Rates**

# Talking to Parents About Change

- \* Before changing your rates or offering a new payment program – think through what you want for yourself and have a logical basis for it
- \* Don't try to over-justify your rate increase
  - \* Some parents may never agree
- \* Don't argue with parents who say your rates are too high
  - \* They may be too high for some families
- \* Don't hide what you are doing – assume all parents will find out about it

# Talking To Parents - 2

- \* You can give a variety of reasons for your new payment plan
  - \* My costs have gone up
  - \* I haven't raised my rates in 3 years
  - \* I have added a new benefit to my program (new curriculum, more field trips, etc.)
  - \* I have another year of experience and am better able to help your child learn

# Talking to Parents - 3

- \* Easiest way to raise rates is to put in contract
  - \* “Rates will be raised annually”
  - \* “Rates will be raised annually in September”
  - \* “Rates will be raised annually on September 1<sup>st</sup> by 2%”
  - \* “Rates will be raised on child’s anniversary date each year, by no more than 3%”

# Talking to Parents - 4

- \* Parents may assume you are making more money than you or your program does
- \* Show them a pie chart with breakdown of where tuition goes
  - \* Food 35%
  - \* Supplies/toys 15%
  - \* House expenses/insurance 13%
  - \* Maintenance/repairs/equipment 7%
  - \* Profit 30%
- \* Weekly fee of \$140 – provider keeps only \$42



# Rates and Quality

- \* Compete on the basis of quality, not price
- \* Parents equate higher rates with higher quality
- \* The more you are able to communicate the benefits of your program, the more parents will pay

# Example

- \* Compare hotel prices in your area: you will pay more for higher quality
- \* Higher rates and higher quality don't necessarily go hand in hand in child care
- \* When parents can't see the difference in quality among providers they will choose the cheapest care

# Alternatives to Raising Rates

- \* Increase fees
  - \* Registration fee, late pick-up fee, returned check fee, holding fee, field trip fee, damage fee, liability insurance fee, curriculum fee
- \* More paid vacations/holidays/professional days
- \* Offer part-time care at a higher rate
- \* Offer odd-hour, evening, weekend, drop-in care

# Collection Issues

- \* Require all parents (including subsidized parents) to sign payment contract
- \* Don't allow parents to get behind in payments
- \* Charge for at least one week in advance
- \* Charge for the last two weeks in advance
- \* Accept credit/debit cards
- \* Electronic bank transfers

# It's Not All About Money

- \* Caring for children is the top priority for child care providers
- \* Non-financial rewards are great
- \* Some programs will never make a lot money
- \* Others will do well financially
- \* Success and happiness has no price tag
- \* Good luck!

# Contact Tom

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Good Luck!