

This worksheet will provide an overview of how the child care center financial model works, at a high level, and provide guidance to help you understand what the financial impact is likely to be.

There are many variables that go into determining the financial impact of offering employer based child care:

- 1) **Sources of revenue** including family tuition, federal/local/state funding (primarily for lower-income families), and private funding such as from employers, foundations, etc. The vast majority of funding for most child care centers comes from family-paid tuition.
- 2) **Costs of care** which include considerations like personnel (the highest cost for any center), benefits, classroom materials, and occupancy costs.

It's worth noting that while child care market rates reflect what care providers charge, they don't fully cover the actual costs to deliver high-quality care, as providers face rising expenses for staff, facilities, and resources. This gap means that it can be difficult to achieve a high-quality environment on all dimensions without the employer contributing financially to the center at some level, due to limits on what families can afford to pay in tuition.

- 3) **Savings from reduced absenteeism and turnover.** As an employer, you can see additional financial impacts by quantifying the hidden costs of not offering child care benefits, often in form of reduced absenteeism, greater employee productivity, reduced turnover, and more.

Use the following worksheets to learn about and estimate the factors that will determine your monthly and annual costs and benefits of offering employer based child care.

To complete this exercise you'll need:

- About 30-45 mins
- The following information about your employees will be helpful but you can also make estimates:
 - # of employees
 - # of employees with children under 5
 - Average employee salary
 - Average employee turnover rate for your organization (i.e. the % of employees who leave each year.

Executives Partnering to Invest in Children (EPIC) has more resources for leaders like you and can consult with your business directly to develop a tailored approach to implementing child care solutions, including working through financial calculations like what is contained in this worksheet. Let us know if we can help at eccn@coloradoepic.org.

Background: Some of the key decisions that will impact the cost of care per child include:

- **Compensation approach:** market rate compensation for early educators is low and benefits (paid time off, retirement contributions, and health care benefits) are uncommon. Compensating at market level or the level of local competitors may enable a balanced budget, but often result in high turnover and may not be aligned with your company’s compensation philosophy or with hopes for individuals affiliated with the organization.
- **Ages served:** the [National Association for the Education of Young Children](http://www.naeyc.org) recommends a maximum of 8 infants in one classroom, whereas there can be up to 20 preschoolers in a classroom. Yet, these two classrooms require the same number of teachers.

Consider the potential revenue coming from 20 preschoolers versus 8 infants. The cost structure would be very different based on the number of infant vs. preschool classrooms. However, while the cost of care for preschoolers is lower, the need for infant and toddler care is greater in most communities.

- **Center size:** A center with more classrooms has the benefit of fixed costs of administration, systems, etc. being spread over more classrooms.

Instructions: Use the Cost of Care Calculator (www.CostofChildCare.org) to help you determine your compensation approach for the age groups you are considering serving. In the calculator, select your priorities and note the changes in the cost of care. Complete the scenarios below based on the options you’ve selected. We allow space for two different scenarios, but do as many as you’d like! On pg. 4, you will enter the costs for your preferred scenario.

Scenario 1	MONTHLY COST OF CARE PER CHILD :		
	INFANT	TODDLER	PRESCHOOLER
Which options in the tool did you select? <input type="checkbox"/> Fewer children per teacher <input type="checkbox"/> Increase salaries <input type="checkbox"/> Pay teachers the same as kindergarten teachers <input type="checkbox"/> Provide retirement benefits <input type="checkbox"/> Increase contributions to health insurance <input type="checkbox"/> Provide more time for teachers to plan lessons <input type="checkbox"/> Make the classroom bigger <input type="checkbox"/> Increase resources for classroom materials			
Scenario 2	MONTHLY COST OF CARE PER CHILD :		
	INFANT	TODDLER	PRESCHOOLER
Which options in the tool did you select? <input type="checkbox"/> Fewer children per teacher <input type="checkbox"/> Increase salaries <input type="checkbox"/> Pay teachers the same as kindergarten teachers <input type="checkbox"/> Provide retirement benefits <input type="checkbox"/> Increase contributions to health insurance <input type="checkbox"/> Provide more time for teachers to plan lessons <input type="checkbox"/> Make the classroom bigger <input type="checkbox"/> Increase resources for classroom materials			

Your child care center's revenue will come from two main sources.

- Tuition will be your primary source of revenue. This could come from private pay or public sources.
- The Child Care Development Fund is a federal and state partnership program that provides financial assistance to low-income families to access child care.

Revenues and costs come together to develop an understanding of the financial model, but this process is iterative; changes can be made to align with your organizational philosophy and to meet financial goals. It can be difficult to achieve a high-quality environment on all dimensions without employer contributions, due to limits on what families can afford to pay. Later on, you will also have the opportunity to calculate the costs of not providing this benefit.

For now, use the table below to enter an estimated amount of tuition for a child to attend your center. On pg. 4, you'll enter your average revenue per child.

	INFANT MONTHLY REVENUE	TODDLER MONTHLY REVENUE	PRESCHOOLER MONTHLY REVENUE
A. Monthly Tuition Rate (per child) Tuition may be set on a sliding scale; may be aligned to the local "market rate," or could be subsidized for all employees. Check local resources for sample rates.			
B. Median Child Care Subsidy (per child) Reimbursement rates vary across states, family income, and eligibility requirements. Use these estimates to calculate monthly subsidies your center can receive.	\$1100	\$1000	\$850
C. % Children Funded by Subsidy (across the whole center) Typically children are eligible for subsidy if their household income is 60% or below the state median income. Use this resource (or identify resources from your state) to find the average median income in your state. Calculate 60% of the median and then estimate the percent of your employees that have a household income below this number. This will give you an estimate percentage of children that are eligible for subsidy in each age group.			
D. % Children Paying Tuition (across the whole center) 100% - C will give you the percentage of children paying tuition across all age groups.			
Average Monthly Revenue Per Child (A x D) + (B x C)			

In order to estimate the bottom line for a full center, you'll need your monthly revenue per child, monthly cost per child, the number of children per classroom (as required by state licensing and/or national recommendations), and the desired number of classrooms per age group.

Below are the recommendations by the National Association for the Education of Young Children for the estimate number of children per classroom. You can use [this resource](#) to find your state's child care licensing requirements as well or you may identify other local resources.

		INFANT :	TODDLER :	PRESCHOOLER :
Number of children per classroom	State Licensing Maximum			
	High-Quality Recommendation (<u>NAEYC</u>)	8	12	20

	INFANT :	TODDLER :	PRESCHOOLER :
A. Average Monthly Revenue Per Child Carry this over from pg. 3			
B. Monthly Cost of Care Per Child Carry over your preferred scenario from pg. 2			
C. Net Monthly Per Child (A - B) It is common for infants and toddlers to have a cost higher than the revenue. In some cases, this will be true for preschool as well.			
D. Desired # of Classrooms Per Age Group While the cost of care for preschoolers is lower, the need for infant and toddler care is greater in most communities. You might also consider ensuring continuity of care as the children get older, ie: do you have enough preschool classrooms for all of your toddlers?			
E. # Children Per Age Group (reference # of children per classroom above)			
Net Monthly Per Age Group (C x E)			
Monthly Center Net (sum of your monthly net across all age groups)			

This net number is the estimate of how much the center is making (if a positive number) or will need in additional funding to break even (if a negative number). Please keep in mind this is only an estimate and the specific circumstances (such as whether the employer is paying a third party to operate the center) will inform the actual bottom line figure.

Often, employers will need to contribute to support the child care center (especially if the center net estimate is negative). Here, you can quantify the hidden costs of **not** having benefits such as employer-based child care. You can make estimates of these numbers, if you're not sure, to get to ballpark numbers.

COST OF ABSENTEEISM. One way to calculate the cost of absenteeism is to consider the amount that you pay in salaries and multiply that by an estimate of the number work days missed due to child care challenges. This gives you the loss on your salary investment.

A. # of employees with children under 5:	
B. Average employee salary	

C. Estimated # days missed by average employee due to child care challenges. You may edit this estimate.	8 days	F. Estimated # days missed by average employee once child care challenges are addressed. You may edit this estimate.	4 days
D. Typical work year:	240 days	D. Typical work year:	240 days
E. Cost of absenteeism: $A \times B \times (C / D)$:		G. New cost of absenteeism $E - (A \times B \times (F / D))$	

I. Savings from reduced absenteeism (E-G)	
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COST OF TURNOVER & REPLACEMENT. One way to calculate the cost of turnover and replacement is by considering the number of employees your organization loses each year and multiplying that by national averages on the cost to replace them.

A. # of employees	
B. Average turnover rate for your organization <i>(i.e. % of employees who leave each year)</i>	_____ %
C. New turnover rate given child care benefit (B x .75): <i>(Patagonia cites 25% reduction)¹</i>	_____ %
D. Average employee salary	
E. Replacement Cost (D x .75): <i>(estimated 75% of annual salary)²</i>	
F. Savings from reduced turnover $(B-C) \times E \times A$	

1 - [Reuters, August 2021](#)
2 - [Washington Post, 2021](#)

Reflect on the cost savings from the previous page.

How does the estimated cost of child care related absenteeism compare to the cost of supporting the

How does the possible savings from reduced turnover compare to the cost of supporting the center?

Next, gain a clearer picture of the return on investment of employer-based child care by calculating the annual net. This big picture estimate shows how your yearly center net earnings would be offset by annual savings (through lowering the hidden costs of not having benefits such as employer based child care).

Yearly Center Net

\$	<input style="width: 100%;" type="text"/>	x	<input style="width: 100%; text-align: center; font-weight: bold;" type="text" value="12"/>	=	\$	<input style="width: 100%;" type="text"/>
	Monthly Center Net <i>(from page 4)</i>		<i>(months in a year)</i>			Yearly Center Net

Yearly Savings

\$	<input style="width: 100%;" type="text"/>	+	\$	<input style="width: 100%;" type="text"/>	=	\$	<input style="width: 100%;" type="text"/>
	Savings from Reduced Absenteeism <i>(from worksheet 5)</i>			Savings from Reduced Turnover <i>(from worksheet 5)</i>			Yearly Savings

Annual Net

\$	<input style="width: 100%;" type="text"/>	+	\$	<input style="width: 100%;" type="text"/>	=	\$	<input style="width: 100%;" type="text"/>
	Yearly Center Net <i>(from row 1)</i>			Yearly Savings <i>(from row 2)</i>			Annual Net