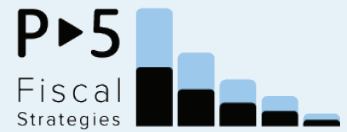


Why does child care cost families so much, but educators make so little?

# Breaking down the finances of family child care in Montana



**8** children **1** caregiver

A small family child care provider in Montana can serve up to 8 children.

Providers usually serve a mix of age groups, including infants, toddlers, preschoolers, and school age children.



## Child Care Business Revenue

In a hypothetical scenario, where the family child care provider serves 2 infants, 2 toddlers, 2 preschoolers, and 2 school age children, the business could generate \$5,823 per month in revenue from tuition.

However, in general, programs are not able to collect full revenues every day they are open. Even small gaps between a child leaving and a new child being enrolled, or parents unable or unwilling to make their tuition payments in full and on time, can have a significant impact on the revenue the business can generate. The industry standard is to budget to collect 85% of potential revenue, and assume 3% bad debt, or uncollected payments. This reduces potential revenue collected to \$4,826 per month.

### Monthly Tuition

Infant: \$775/child  
Toddler: \$814/child  
Preschool: \$836/child  
School age: \$502/child



**Total potential revenue: \$5,823**

**Expected revenue collection:  
\$4,826/month**

Tuition rates based on 75th percentile of most 2023 market rate survey

## Child Care Business Expenses

The family child care provider incurs direct expenses related to running the child care program, such as providing educational materials and food, as well as shared expenses related to both their home and business, such as rent or mortgage payments and utilities.

Based on estimated averages from the Montana Child Care Cost Calculator, these expenses total around \$1,473 per month for a program serving 8 children. In addition, providers must pay taxes on their income. While tax liability will vary based on individual providers' circumstances, a good rule of thumb is 20% of income. This would add an additional \$965 per month to expenses for a total of \$2,438.

### Monthly Expenses

Administrative: \$406  
Programmatic: \$659  
Occupancy: \$407  
Estimated taxes: \$965



**Estimated total expenses:  
\$2,438/month**

## Provider Income

Based on this hypothetical scenario - where the provider collects tuition revenue from 8 children - net income after expenses is \$2,388 per month. This translates into an annualized income of just over \$28,650 per year which the business can use to cover income and benefits for the provider.

Assuming the program is open 10 hours a day (8am-6pm), the provider works nearly 220 hours per month providing direct care to children. Beyond this, providers report spending 10-15 hours per week on the operation of their business (paperwork, grocery shopping, advertising etc.). This results in total hours worked per month of around 270 hours. Converted to an hourly value, providers are left with an income of \$8.84 per hour, which is below the Montana minimum wage of \$10.55.

Gross Income: \$4,826  
Business Expenses: \$2,438  
**Net Revenue: \$2,388**



**\$8.84/hour**

## Nonpersonnel expenses

In the hypothetical scenario where the family child care business provides care to 8 children, monthly nonpersonnel expenses are estimated as shown below. The expense categories align with those used in the IRS Schedule C tax form filed by sole proprietors, and values are based on the defaults in the Montana Child Care Cost Model.

### **Administrative** (expenses related to the legal operation of the business)

| <u>Cost Category</u>        | <u>Monthly Expense</u> |
|-----------------------------|------------------------|
| Advertising                 | \$17.98                |
| Vehicle expenses            | \$29.96                |
| Depreciation                | \$35.95                |
| Insurance                   | \$53.93                |
| Interest on business debt   | \$14.50                |
| Legal and professional fees | \$71.90                |
| Office supplies             | \$21.57                |
| Cleaning and maintenance    | \$28.76                |
| Telephone and internet      | \$107.86               |
| Professional memberships    | \$11.98                |
| License and/or permits      | \$11.98                |

### **Programmatic** (expenses related to operating the educational program)

| <u>Cost Category</u>                  | <u>Monthly Expense</u> |
|---------------------------------------|------------------------|
| Educational supplies                  | \$53.93                |
| Food                                  | \$575.24               |
| Training and professional development | \$30.20                |

### **Occupancy** (shared business/home expenses, allocated based on number of hours and percent of total home square footage used for business operations)

| <u>Cost Category</u>                   | <u>Monthly Expense</u> |
|--|------------------------|
| Mortgage/Rent                          | \$1,438.09             |
| Insurance                              | \$80.89                |
| Home repairs/maintenance               | \$59.92                |
| Utilities                              | \$215.71               |
| Household supplies                     | \$28.76                |
| Share allocated to child care business | 22.32%                 |