Figuring Cost of Care

A practical training for licensed child care programs

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- Clock hours of training must be completed in a realistic matter of time. Smith Early Care and Education, LLC is not responsible for trainings not accepted due to being completed in an unrealistic matter of time.

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LEARNING OBJECTIVES

What participants will be able to do by the end of the session

- Identify key cost drivers in licensed child-care (labor, occupancy, supplies, admin, food)
- Separate fixed, variable, and "semi-variable" costs
- Calculate cost per day and cost per child (using a repeatable method)
- Estimate break-even enrollment and spot risk quickly
- Use cost-of-care data to inform tuition, staffing, and quality investments

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Roadmap

TODAY'S FLOW

- Why cost of care matters
- Fixed vs. variable costs (and what "semi-variable" means)
- Labor + ratios: your biggest driver
- Step-by-step cost per child calculations
- Break-even enrollment check
- Using the numbers for rates + messaging
- Wrap-up and next steps

BRING / OPEN:

- A recent month of expenses (or best estimate)
- Enrollment targets by age group
- Staff schedule (paid hours, not just classroom hours)
- Calculator or spreadsheet

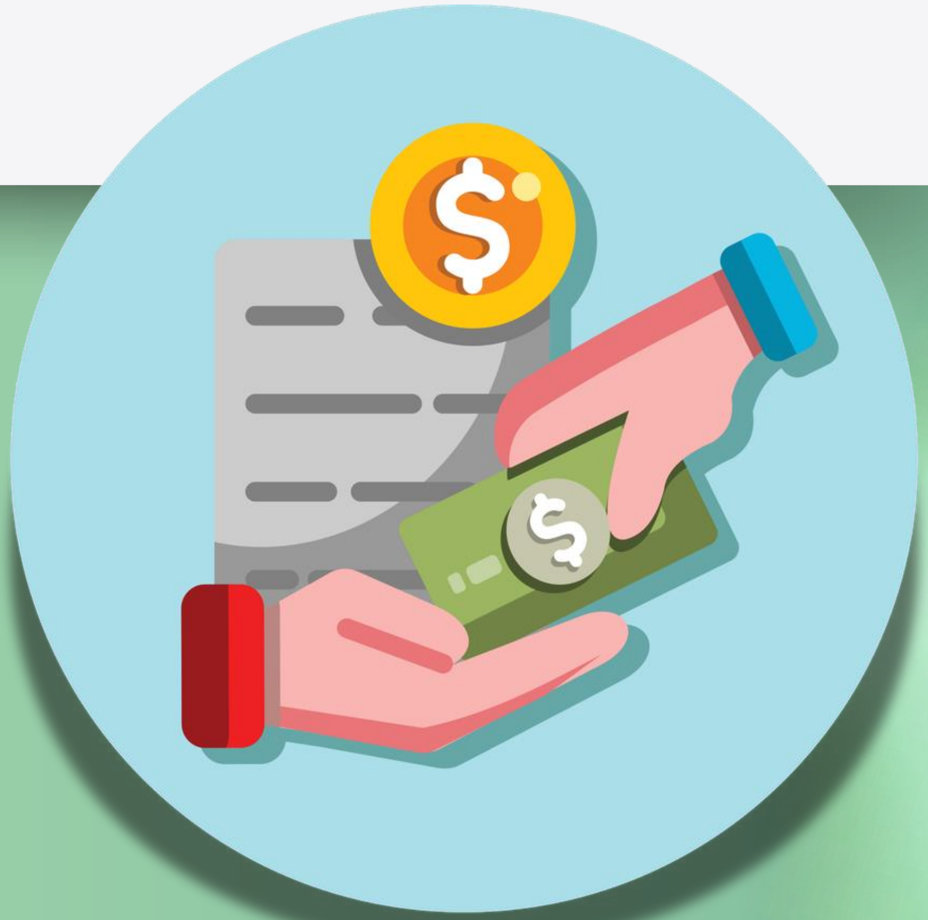
PARTICIPATION NORMS

- USE realistic numbers (not "best case")
- Ratios drive staffing needs—plan for coverage
- Start simple; refine over time

FIGURING COST OF CARE

What you'll leave with:

- A simple way to organize program costs (fixed vs. variable)
- Step-by-step calculations: monthly → daily → per child
- A break-even enrollment check
- Talking points for rate conversations



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WHY “COST OF CARE” MATTERS

Cost of care ≠ tuition. It’s what it truly takes to operate safely, legally, and with quality.

When programs don’t know their cost of care…

- Rates may not cover compliance + staffing needs
- Raises and benefits become “wish list” items
- Cash flow surprises lead to burnout and turnover
- Quality improvements are hard to plan or fund

KEY IDEA

TUITION IS WHAT FAMILIES PAY.
COST OF CARE IS WHAT QUALITY COSTS.

Knowing your cost gives you control: staffing, enrollment, and pricing decisions can be made with confidence.

COST-OF-CARE NUMBERS SUPPORT:

- Budgeting and cash-flow planning
- Wage ladders + retention planning
- Age-group tuition structure
- Grant and subsidy conversations

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KNOW YOUR COST DRIVERS

A simple "bucket" model makes cost-of-care calculations repeatable

5 Practical cost buckets

STAFFING
Wages, payroll taxes, benefits, substitutes

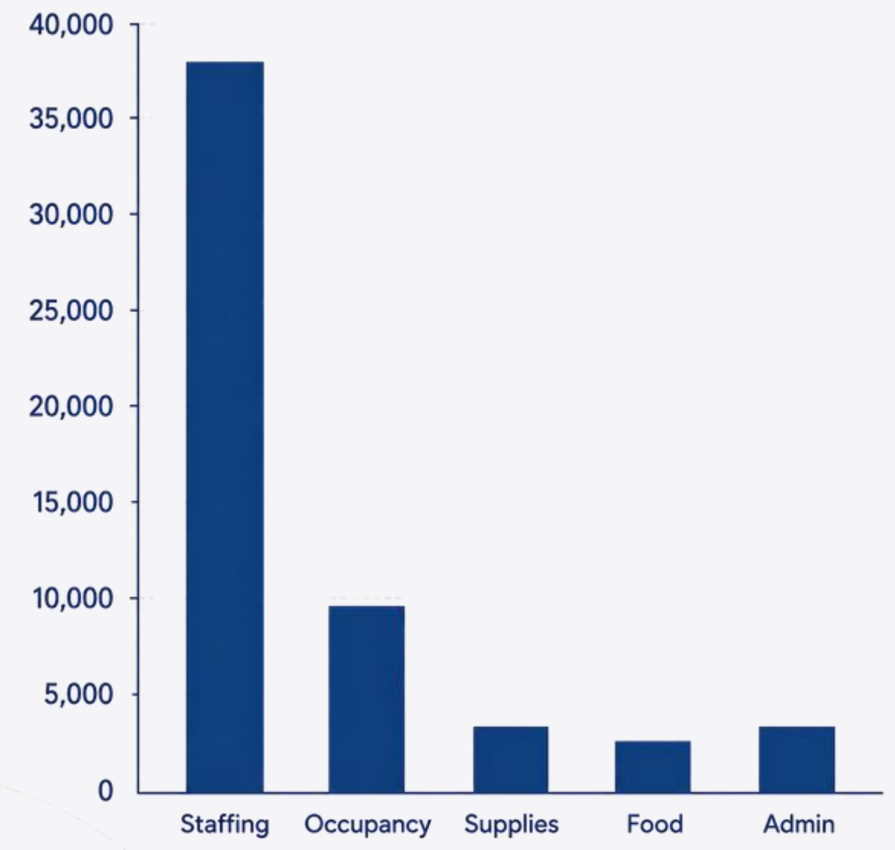
OCCUPANCY
Rent/mortgage, utilities, maintenance

SUPPLIES
CLassroom materials, diapers/wipes (if provided), cleaning

FOOD
Meals/snacks, kitchen supplies

ADMIN/OPERATIONS
Insurance, software, phone/internet, accounting, fees

EXample: monthly expense mix



Use your real numbers. The goal is clarity, not perfection.

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FIXED VS. VARIABLE VS. SEMI-VARIABLE

What changes when enrollment changes?

Fixed

COSTS YOU PAY EVEN IF ENROLLMENT DIPS

- Rent / mortgage
- Insurance
- Licensing fees
- Software subscriptions

variable

COSTS THAT SCALE DIRECTLY WITH CHILDREN SERVED

- Food & meal supplies
- Diapers/wipes
    - (if provided)
- Some consumable supplies

Semi-variable

PARTLY FIXED + PARTLY VARIABLE (COMMON IN CHILD CARE)

- Utilities
- Cleaning
- Staffing (ratios + coverage)
- Substitutes

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LABOR + RATIOS: THE BIGGEST DRIVER

In licensed care, staffing needs are shaped by ratios and coverage requirements

WHY STAFFING DOMINATES THE BUDGET

- PERSONNEL costs are typically the largest share of total cost of care
- Ratios require minimum staffing even when enrollment is uneven
- Coverage needs add paid hours: breaks, planning, opening/closing, substitutes
- Wage increases raise payroll taxes and benefits too

REALITY CHECK

PERSONNEL EXPENSES OFTEN MAKE UP ~70–80% OF TOTAL COST OF CARE FOR CENTERS.

That means small changes in staffing and schedules have a big impact.

COVERAGE CHECKLIST (OFTEN MISSED)

- PAID BREAKS and relief coverage
- Planning / documentation time
- Opening + closing coverage
- Training and staff meetings
- Substitutes and float coverage

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TRUE HOURLY COST (WAGES + "BURDEN")

A simple way to avoid underestimating staffing costs

Step 1: Start with hourly wage
Example wage: $16.00 / hour

Step 2: Add employer costs (minimum)
- Employer FICA (Social Security + Medicare): 7.65% of wages
- Plus: workers' comp, unemployment, paid leave, benefits (if offered)

Quick estimate formula

True hourly cost = wage × (1 + burden)

If you use a 13% burden: $16.00 × 1.13 = $18.08

Customize the burden percent to match your state + benefits.

Common underestimates
- Only counting "classroom hours" (not paid coverage time)
- Forgetting float/sub coverage
- Not including payroll taxes
- Ignoring annual training + onboarding costs
- Using best-case enrollment instead of typical enrollment

Facilitator prompt: What "paid hours" show up on payroll that don't show up in ratios?

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COST PER CHILD: STEP-BY-STEP

Monthly → Daily → Per Child (break-even cost)

Example program monthly expenses

Staffing: $38,000
Occupancy: $9,500
Supplies: $1,800
Food: $1,500
Admin/Operations: $2,200
Total monthly cost: $53,000

1) Daily cost
$53,000 ÷ 22 operating days = **$2,409/day**

2) Cost per child per day
$2,409 ÷ 50 children = **$48.18/child/day**

3) Weekly equivalent
$48.18 × 5 days = **$240.90/week**

4) Monthly equivalent
$240.90 × 4.33 = **$1,043/month**

Reminder: This is break-even cost. If you want savings, wage growth, or quality investments, build that into your plan.

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COST BY AGE GROUP (OPTIONAL, POWERFUL)

Ratios and staffing patterns make infant/toddler care cost more

WHY BREAK COSTS OUT BY AGE?

- DIFFERENT ratios = different staffing cost per slot
- Rooms may have different schedules and coverage needs
- Helps explain tuition differences fairly and clearly
- Shows where cross-subsidy might be happening

EXAMPLE: INFANT ROOM

- 8 INFANT SLOTS
- ROOM STAFFING COST/DAY: $520
- ROOM SHARE OF OCCUPANCY/ADMIN: $180
- ROOM DAILY COST: $700/DAY
- COST PER CHILD/DAY: $700 ÷ 8 = $87.50

SIMPLE ROOM METHOD

ROOM daily cost = (room staffing cost/day) + (room share of occupancy/admin)

Cost per child per day = room daily cost ÷ available slots

Question?

Where do you see the biggest ratio-driven difference (infant vs. preschool)?

Optional next step: Build a "room cost sheet" for each age group.

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BREAK-EVEN ENROLLMENT

How many enrolled children cover your monthly costs?

BREAK-EVEN ENROLLMENT FORMULA

Break-even enrollment = Total monthly cost ÷ Average monthly revenue per child

EXAMPLE

Monthly cost: **$53,000**
Avg revenue per child/month: **$1,100**
$53,000 ÷ $1,100 = 48.2 → 49 children

So break-even is **~49** enrolled children.

USE IT AS A WEEKLY DASHBOARD

- IF typical enrollment < break-even, you need a plan: revenue, costs, or mix
- Use "typical" enrollment—not your license capacity
- Run it by age group if tuition differs by age
- Pair with a cash reserve goal (e.g., 4–8 weeks of expenses)

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USING COST-OF-CARE DATA FOR RATES

Numbers help you make decisions—and communicate with clarity

What cost-of-care data helps you do:

- Set tuition with confidence (and explain differences by age)
- Plan wage increases and benefits realistically
- Decide when to open/close a classroom or add hours
- Support grant applications and subsidy conversations
- Reduce "surprise" expenses through better forecasting

Family-friendly rate language

"We set tuition based on the true cost of providing safe, licensed care—including qualified staff, training, materials, meals, and maintaining our space."

Avoid these messages:

- "We're just trying to survive."
- "Everything is expensive."
- Comparing yourself to unlicensed care

Instead: connect rates to safety, stability, and quality.

ACTION STEPS (THIS WEEK)

Pick 2–3 and build momentum—then refine monthly

CHOOSE YOUR NEXT STEPS

1. **Operations + calculations**
   a. Gather 3 months of expenses and compute a monthly average
   b. Confirm operating days/month (include planned closures)
   c. Estimate true hourly cost for each role (wage × burden)
   d. Calculate cost per child per day (overall)
2. **Rates + sustainability**
   a. Run a break-even enrollment check using typical enrollment
   b. Compare tuition by age group to estimated room costs
   c. Identify top 3 cost drivers and one "quick win" to reduce waste
   d. Create a simple monthly dashboard (enrollment, staffing, cash)

FACILITATOR CLOSE: "COST OF CARE IS A MATH PROBLEM—NOT A MORAL FAILURE. START SIMPLE AND IMPROVE YOUR ACCURACY EACH CYCLE."

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REPORTS & RESOURCES

- Report A: Monthly Expense Snapshot (5 buckets)
- Report B: Cost per child calculations (monthly → daily → weekly)
- Report C: Break-even enrollment
- Optional: Room/age-group cost sheet

Tip: Use a 3-month average to smooth out spikes (repairs, supplies, seasonal utilities).

Next: Build a simple dashboard (monthly cost, enrollment, staffing hours, cash).

HELPFUL REFERENCES

- TheSource.Training
- WWW.BRITTNEYLUTHER.COM
- ACF OFFICE OF CHILD CARE: COST-OF-CARE REPORTING GUIDANCE
- STATE MARKET RATE SURVEYS (OFTEN INCLUDE COST PATTERNS)
- IRS TOPIC 751: SOCIAL SECURITY + MEDICARE WITHHOLDING RATES
- YOUR STATE LICENSING RATIO CHART (BY AGE GROUP)

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