2023 Montana Child Care Narrow Cost Analysis

Final Report

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Montana DPHHS/
Child Care & Development Fund

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Executive Summary

Interviewees

Nine licensed child care providers were interviewed, and they represent the various license types and various locations throughout the state. Five of those interviewed provide care in urban communities and four provide care in rural communities. Four provide in-home care with family or group program licenses, and five provide center-based care with large variations in the number of children served, ranging from 16 to nearly 200 children. Three unlicensed providers were interviewed as well, all of whom provide care in an urban community.

Financial Summary

The financial analysis indicated that all program types, except federally funded Head Start programs, generated over two-thirds of their gross income from direct service payments. Over half of those interviewed received substantial Covid relief grants, which had a unique, circumstantial effect on how income was generated.

Expenses varied among program types with family programs spending the highest percentage of total operating expenses on building-related costs and center programs spending the highest percentage of total operating expenses on staffing-related costs. Family providers had modest earnings but the highest profit percentages, group providers had relatively low earnings and lower profit percentages, and centers had higher earnings and modest profit percentages.

An average cost of care at the child level was calculated for each program type, and costs increased as program sizes increased. Family providers had the lowest annual cost of care ($4,710/child), group providers were in the middle ($8,000/child), and center providers had the highest annual cost of care ($10,479/child).

Business Operations of Licensed Programs

When asked to discuss child care licensing regulations that contribute to higher operating costs, fingerprinting/background checks, orientation training, CPR training, and the substantial rate increase for liability business insurance were the regulations mentioned most frequently.

Staff wages is a leading cost driver for child care programs, yet most providers are relatively dissatisfied with the wages and benefits they're able to offer their employees, find it challenging to find qualified staff, and many experience relatively high rates of staff turnover. All providers interviewed who employee staff do not expect staff to perform program-related tasks during unpaid time, but all of those interviewed reportedly spend their own unpaid time performing program-related tasks.

Providers were asked to discuss the licensing renewal process, and the amount of time spent on renewal paperwork was correlated with program size, with center providers spending, on average, the greatest amount of time completing renewal paperwork. Some providers offered ideas about how the renewal process could be simplified, which include: excluding any forms that have no changes since the previous renewal, an extended license option for compliant providers, licensor visits being scheduled closer to the renewal date, fewer requirements for part-time staff and substitutes, a step-by-step guide to the licensing renewal process, and up-to-date staff training records available through the Early Childhood Project.

Providers were asked to discuss the cost of providing quality child care, specifically the costs and revenue associated with the STARS to Quality system. Nearly half (4) of the programs included in this narrow cost analysis are STARS participants. In discussing the anticipated cost to reach the next STAR level, one STAR 4 provider discussed the need to obtain National Association for the Education of Young Children (NAEYC) accreditation, which she thought would be relatively expensive. Reaching the next STAR level would not change staff salaries, adult/child ratios, group sizes, or business operations for any of the 4 STARS participating programs. All STARS participants reported that tuition does not cover the cost of care provided at their current STAR level and that tuition alone would not cover the cost of care provided at the next STAR level, if applicable.

When asked to discuss factors considered when setting tuition rates, providers discussed factors such as staff salaries, inflation, total operating expenses, and meal expenses. When asked if they would raise their staff wages and tuition rates if the state of Montana raised the minimum wage, one provider reported that wages and rates would be raised and one reported that wages and rates would be raised if the minimum wage increased to $15/hour.

Business Operations of Unlicensed Programs

All unlicensed programs interviewed are open 12 months per year with the type of care and capacity varying seasonally. Because unlicensed programs are ineligible to receive Best Beginnings scholarship reimbursements, serving low-income families is more difficult. One of the three providers interviewed offers a grant-funded sliding fee scale. Unlicensed programs are also ineligible to participate in the Child and Adult Care Food Program (CACFP), which offsets food costs for participating licensed programs. Despite their inability to offset food costs through CACFP reimbursements, all three programs offer meals and snacks to children in their care.

Like licensed programs, staff wages is a leading cost driver for unlicensed programs, and all three programs reportedly pay much more than minimum wage. These unlicensed providers also reported similar challenges in hiring qualified staff and similar levels of dissatisfaction with wages they're able to pay. Despite not being obligated to meet the same staff training and onboarding requirements, all providers interviewed conduct background checks, regularly offer first aid/CPR, and provide various additional staff training opportunities. Like licensed directors, unlicensed directors spend unpaid time on program-related tasks but do not expect staff to do the same.

When asked to discuss whether they have considered becoming licensed, all three unlicensed providers reported that they either have considered it or have previously been licensed. When asked about the barriers to becoming licensed, providers discussed challenges that were very specific to their program space, ages served, and type of care provided. If licensed, two-thirds of the unlicensed providers envision increased wages for staff resulting from reliable Best Beginnings and CACFP reimbursements. These two providers also reported that they would not need to change adult/child ratios or group sizes. There was no agreement among the group regarding expected tuition rate changes if licensed, with one predicting a decrease, one predicting an increase, and one predicting no change. When determining tuition rates, these providers consider the same factors considered by licensed providers, staffing and operating costs and affordability.

Because these providers are unlicensed and have considered becoming licensed, they were asked to make recommendations that might facilitate licensure. It was recommended that the state develop a license type for programs that are not currently required to be licensed, such as after-school programs, drop-in care, and summer programs. A new license type would allow such programs to benefit from state reimbursement programs and better ensure safety.

Narrow Cost Analysis

Introduction

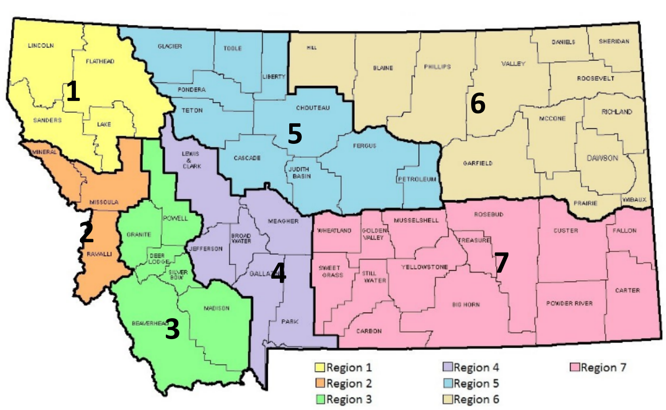
This exploratory study assessed the annual income and expenses of child care providers to determine their annual earnings and the cost of care. This is the second iteration of this study, which was first conducted in 2020. Like in 2020, this study found that providers respond to many goals other than personal monetary gain, such as concern for the ability of parents to pay, cost of living in the community, and staff salaries. While annual earnings varied widely across family, group, and center providers, each child care provider felt their facility was critically important to the community and they derived satisfaction from running the business. In the following sections, this report will discuss methods employed to conduct the study, provide a detailed financial analysis, and discuss the conclusions derived from this research project.

Methods

The 2023 narrow cost analysis is a component of the market rate study and was first added to the data collection efforts and analysis of the 2020 Montana Market Rate Survey. The narrow cost analysis included individual phone interviews with licensed child care directors from various areas of the state in an effort to develop an understanding of the cost drivers and the income opportunities of child care businesses. In Montana, child care services are delivered using various models, and population densities of communities vary greatly across the state. In order to capture an accurate picture of the cost of care, a total of twelve child care directors were interviewed in the narrow cost analysis; nine operate licensed/registered child care programs and three operate unlicensed child care programs. Of the licensed/registered directors interviewed, two operate family programs, two operate group programs, one operates a small center program (12-20 children), one operates a medium size center program (21-50 children), and two operate large size center programs (more than 50 children).

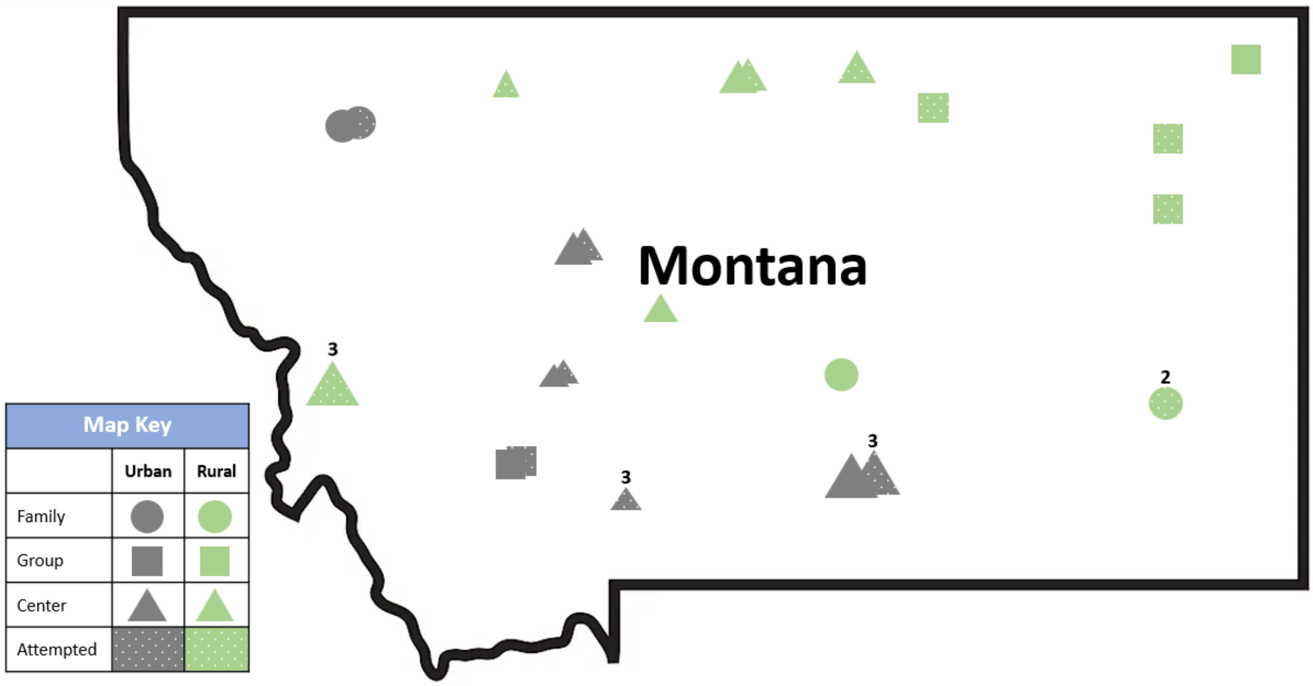
To ensure all areas and program types were represented in the licensed/registered sample, categories were created based on location (region), community population density, and program type. Categories developed are in the table below.

Region	Size	Program Type
1	Urban	Family home
2	*Rural*	*Large center*
3	Urban	Group home
4	Urban	Small center
5	Rural	Small center
5	Urban	Medium center
6	Rural	Medium center
6	Rural	Group home
7	Urban	Large center
7	Rural	Family home



The programs included are in rural and urban areas around the state. Twenty-one additional programs were contacted for interviews, and these additional programs were either not responsive or did not have time to participate.

Map 1 Interviews solicited and completed for narrow cost study



Each interview lasted between forty minutes and one hour, and all interviewees were open to sharing details about their business operations including revenue and expenses. The questionnaires and worksheets used in the interviews are included in Appendices B through E. Because child care programs operate as private businesses, there are many variables to consider when analyzing the cost of care. Expenses vary greatly based on size, location, staffing, rent or mortgage costs, and other factors. These interviews shed light on the different motivators for providers to choose child care as a profession. What also became evident was that providers understand the value and importance of the service they provide to their communities and consider the financial situation of families when setting their rates.

Because we know that some providers choose to operate unlicensed programs, the 2023 study included interviews with three unlicensed providers, two located in Missoula and one in Kalispell. All unlicensed providers interviewed operate programs that are not required to be licensed with the state. A list of fourteen unlicensed programs was created with the support of staff from child care resource and referral agencies throughout the state. Interviews conducted with unlicensed providers did not utilize detailed budget worksheets but focused primarily on business practices and perceived barriers to becoming licensed.

Financial Summary

This financial summary examines three types of child care facilities, family, group, and centers (Table 1). With the exception of Head Start, these programs generated over 65% of their gross income from direct service fees, including Best Beginnings Scholarship reimbursements and direct payments from parents. Because six of the programs received substantial Covid relief grants, this percentage is down from the 2020 survey, which showed that 75% of income was generated from direct service fees. The remaining gross income was generated from Child and Adult Care Food Program (CACFP) reimbursements, STARS to Quality incentives and bonuses, and Covid relief grants. The expense picture was somewhat more varied. On average, family providers allocated less than 1% to hired labor expenses, while group providers allocated closer to 40% unless operating with a spouse, and center providers allocated between 60% and 80% to hired labor expenses. Family providers allocated a higher portion of expenses to building-related costs compared to group and center providers. Other expenses included office equipment and supplies; legal, financial, insurance, and travel; scholarships (child care and other), and miscellaneous.

The family providers had very modest earnings but had a higher profit percentages than group or center providers, primarily because they seldom hire staff. The net earnings in the child care business were the provider's only remuneration. The group providers had relatively low earnings and lower profit percentages, primarily because they have higher labor expenses than family providers. The center providers had somewhat higher earnings and modest profit percentages. For additional details on the questionnaire used for the family, group, and center providers see Appendix A.

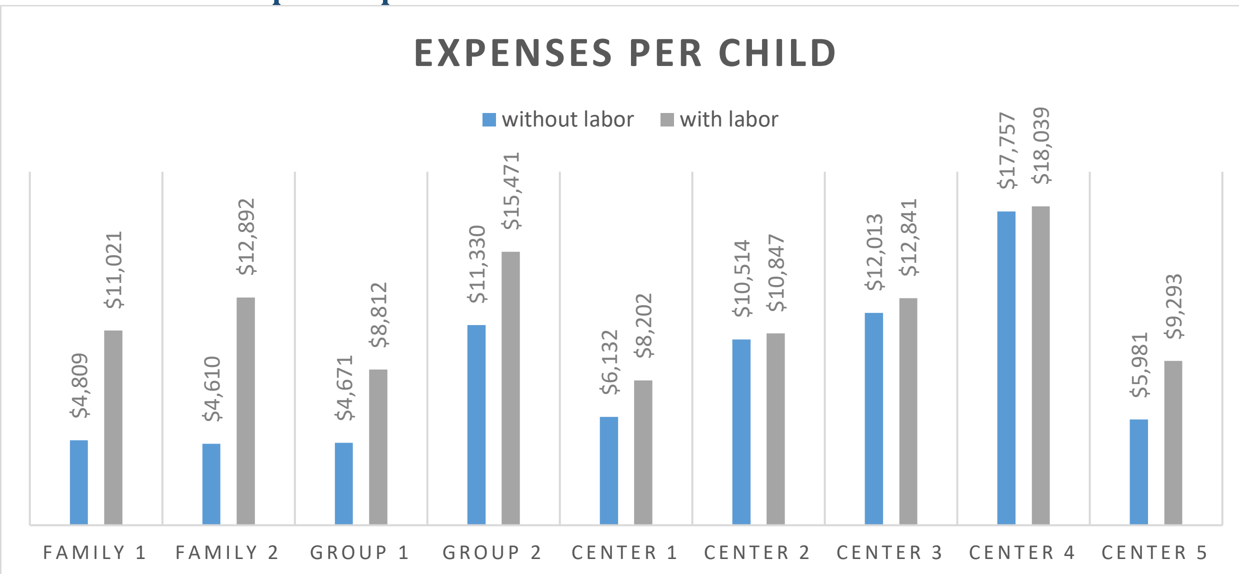
The financial analysis allowed for a calculation of the child level cost of care based on expenses and enrollment (Chart 1). The family providers had, on average, the lowest annual cost of care per child at $4,710. Centers had, on average, the highest annual cost of care per child at $10,479, and the average annual cost of care per child for group providers was $8,000. These calculations are based on reported expenses and enrollment. An additional analysis was conducted after including owner labor (based on Montana's median wage of $49,690), and with this adjustment, family providers still had the lowest average annual cost of care at $11,822 per child. Group program averages increased to $12,141 per child, which left center care with the highest annual cost of care per child ($13,910). The next section includes program profiles, which discusses the financial details and unique program characteristics for each provider interviewed.

Table 1 Financial summary of annual income, expenses, and profit

Category	Family 1 Amount	%	Family 2 Amount	%	Family Mean	Group 1 Amount	%	Group 2 Amount	%	Group Mean	Center 1 Amount	%	Center 2 Amount	%	Center 3 Amount	%	Center 4 Amount	%	Center 5 Amount	%	Center Mean
Number of Children	8		6		**7**	12		12		**12**	24		149		60		176		15		**85**
Income																					
Payments from parents	31,813	66	34,561	69	**33,187**	37,440	37	106,108	58	**71,774**	99,619	61	930,281	45	571,142	59	0	0	66,634	94	**333,535**
BBS	0	0	0	0	**0**	49,920	49	16,940	9	**33,430**	15,021	9	989,473	48	377,816	39	33,000	1	0	0	**283,062**
CACFP reimbursement	7,487	16	0	0	**3,744**	11,592	11	10,873	6	**11,233**	25,901	16	0	0	15,251	2	188,705	6	4,384	6	**46,848**
STARS reimbursement	0	0	0	0	**0**	2,496	2	0	0	**1,248**	0	0	0	0	0	0	101,000	3	0	0	**20,200**
Other	8,867	18	15,570	31	**12,219**	0	0	49,603	27	**24,802**	22,604	14	161,699	8	0	0	2,812,108	90	0	0	**599,282**
Donations (scholarships)	0	0	0	0	**0**	0	0	0	0	**0**	0	0	1,400	0	0	0	0	0	0	0	**280**
Total income	48,167	100	50,131	100	**49,149**	101,448	100	183,524	100	**142,486**	163,145	100	2,082,853	100	964,208	100	3,134,813	100	71,018	100	**1,283,207**
Total income per child	*6,021*		*8,355*		**7,188**	*8,454*		*15,294*		**11,874**	*6,798*		*13,979*		*16,070*		*17,811*		*4,735*		**11,879**
Expenses																					
Labor	150	0	0	0	**75**	820	1	52,284	38	**26,552**	86,168	59	997,117	64	487,043	68	2,230,901	71	71,530	80	**774,552**
Building	31,817	83	6,902	25	**19,360**	21,984	39	33,881	25	**27,933**	40,960	28	232,368	15	55,896	8	285,502	9	6,352	7	**124,216**
Meals/food	2,502	7	1,964	7	**2,233**	2,256	4	18,909	14	**10,583**	480	0	30,000	2	1,209	0	70,131	2	0	0	**20,364**
Office equipment and supplies	2,215	6	7,290	26	**4,753**	12,940	23	22,349	16	**17,645**	960	1	205,409	13	127,195	18	168,139	5	6,568	7	**101,654**
Legal, financial, insurance, travel	1,791	5	6,464	23	**4,128**	18,050	32	8,536	6	**13,293**	18,588	13	91,294	6	49,450	7	31,395	1	5,258	6	**39,197**
Scholarships (child care and other)	0	0	0	0	**0**	0	0	0	0	**0**	0	0	0	0	0	0	0	0	0	0	**0**
Miscellaneous	0	0	5,039	18	**2,520**	0	0	0	0	**0**	0	0	10,363	1	0	0	339,091	11	0	0	**69,891**
Total expenses with no owner labor	**38,475**	**100**	**27,659**	**100**	**33,067**	**56,051**	**100**	**135,959**	**100**	**96,005**	**147,156**	**100**	**1,566,551**	**100**	**720,793**	**100**	**3,125,159**	**100**	**89,708**	**100**	**1,129,873**
Total expenses per child with no owner labor	***4,809***		***4,610***		**4,710**	***4,671***		***11,330***		**8,000**	***6,132***		***10,514***		***12,013***		***17,757***		***5,981***		**10,479**
Annual net earnings	9,692		22,472		**16,082**	45,397		47,565		**46,481**	15,989		516,302		243,415		9,654		-18,690		**153,334**
Owner labor	49,690		49,690		49,690	49,690		49,690		**49,690**	49,690		49,690		49,690		49,690		49,690		**49,690**
Total expenses with owner labor	**88,165**		**77,349**		**82,757**	**105,741**		**185,649**		**145,695**	**196,846**		**1,616,241**		**770,483**		**3,174,849**		**139,398**		**1,179,563**
Total expenses per child with owner labor	**11,021**		**12,892**		**11,822**	**8,812**		**15,471**		**12,141**	**8,202**		**10,847**		**12,841**		**18,039**		**9,293**		**13,910**
Annual net earnings with owner labor	-39,998		-27,218		**-33,608**	-4,293		-2,125		-3,209	-33,701		466,612		193,725		-40,036		-68,380		**103,644**
(+) Value own child care	0		0			0		0			0		0		0		0		0		**0**
Adjusted annual net earnings without owner labor	9,692		22,472		**16,082**	45,397		47,565			15,989		516,302		243,415		9,654		-18,690		**153,334**

Note: Owner labor of $49,690 is based on the U.S. Bureau of Labor Statistics' median annual wage for child care administrators (https://www.bls.gov/oes/current/oes119031.htm).

Chart 1: Annual Expenses per Child



Program Profiles for Licensed Providers

Family Program 1: The program is located in the Provider's home in a rural community, currently serves children receiving the Best Beginnings Scholarship, participates in the CACFP, and is not currently participating in the STARS to Quality program. The director does not have any employees. The annual total revenue from the business is $48,167, the annual total business expenses are $38,475 (without owner labor cost included), and the director's annual net business earnings are $9,692. The director is paid from the business earnings, and there is no retirement or health insurance covered through this employment, leaving the provider reliant on a spouse for these benefits.

Family Program 2: The program is located in the director's home in an urban community, currently serves children receiving the Best Beginnings Scholarship, participates in the CACFP, and is not currently participating in the STARS to Quality program. The director does not have any employees. The annual total revenue from the business is $50,131, the annual total business expenses are $27,659, and the annual net business earnings are $22,472. The director is paid from the business earnings, and there is no retirement or health insurance covered through this employment, leaving the provider reliant on a spouse for these benefits.

Group Program 1: The program is located in the Provider's home in an urban community, currently serves children receiving the Best Beginnings Scholarship, currently participates in the CACFP and currently participates in the STARS to Quality program at a STAR 2. The director operates the program with her husband and they have no additional employees. The annual total revenue from the business is $101,448, the annual total business expenses are $56,051, the annual net business earnings are $45,397, and the director and her husband are paid from the business earnings.

Group Program 2: The program is located in a building separate from the Provider's home in a rural community. The program currently serves children receiving the Best Beginnings

Scholarship and participates in the CACFP and STARS to Quality program at a STAR 2. The director has two full-time assistants and one part-time assistants The annual total revenue from the business is $183,524, the annual total business expenses are $135,959, the annual net business earnings are $47,565, and the director is paid from the business earnings.

Center 1: The program provides care to 24 children enrolled and is located in a building owned by the director in a rural community. The program currently serves children receiving the Best Beginnings Scholarship, participates in the CACFP, and does not participate in the STARS to Quality program. The director employees four full-time and three part-time staff, and the staffing costs account for 59% of the total business expenses. The annual total revenue from the business is $163,145, the annual total business expenses are $147,156, and the annual net business earnings are $15,989.

Center 2: The program provides care to 149 children and is located in an urban community. The program employs 25 full-time and 4 part-time staff, and the staffing costs account for over 60% of the total operating expenses. The program currently serves children receiving the Best Beginnings Scholarship and military child care payment assistance, participates in the CACFP, and participates in the STARS to Quality program at a STAR 4. The annual total revenue from the business is $2,082,853, the annual total business expenses are $1,566,551, and the annual net business earnings are $516,302.

Center 3: The program provides care to 60 children in an urban community. The programs employ fifteen full-time and 1 part-time staff. The program currently serves children receiving the Best Beginnings Scholarship, participates in the CACFP and does not participate in the STARS to Quality program. The annual total revenue from the business is $964,208, the annual total business expenses are $720,793, and the annual net business earnings are $243,415.

Center 4: The program is a Head Start and operates as a non-profit in both rural and urban communities and provides care to 176 children at 8 licensed sites. The program employees 46 full-time and 2 part-time staff, and currently has 14 vacant positions. The program currently serves children receiving the Best Beginnings Scholarship, participates in the CACFP, and does not participate in the STARS to Quality program. The annual total revenue from the business is $3,134,813, the annual total business expenses are $3,125,159, and the annual net business earnings are $9,654.

Center 5: The program is operated in a church in a rural community and provides care to 15 children. The program currently serves children receiving the Best Beginnings Scholarship, participates in the CACFP, and does not participate in the STARS to Quality program. The annual total revenue from the business is $71,018, the annual total business expenses are $89,708, and the annual net business earnings are -$18,690.

It is important to note that total expenses for each program do not include the cost of owner labor. When the cost of owner labor is included, all of the programs realize financial losses except Centers 2 and 3.

Program Profiles for Unlicensed Providers

Unlicensed Center 1: The program operates as a sole proprietorship in an urban community and provides after school care to 250 children and summer camp care to 100 children (76 at a time). Because the program is unlicensed, it does not receive state reimbursements from the Best Beginnings scholarship program, the CACFP, or the STARS to Quality program. The program employs 12-18 full-time summer staff and 3 full-time and 45 part-time after school staff. Seven after school programs are operated in rented space in 6 public schools (one large school has 2 programs), and the summer camp is offered in a program-owned building. The estimated annual total business expenses are $350,000, and the greatest expense is staffing.

Unlicensed Center 2: The program operates as a limited liability company in an urban community and provides drop-in care to 6 children during the school year and 60 children during the summer months. Because the program is unlicensed, it does not receive state reimbursements from the Best Beginnings scholarship program, the CACFP, or the STARS to Quality program.

Unlicensed Center 3: The program operates as a limited liability company in an urban community and provides drop-in care to 12-16 children year-round. Because the program is unlicensed, it does not receive state reimbursements from the Best Beginnings scholarship program, the CACFP, or the STARS to Quality program but does receive reimbursements through respite care scholarships. The program is owned and operated by the director and her mother, and they have an additional part-time employee. The estimated annual total business expenses are $100,000, and the greatest expense is rent for the commercial space used.

Business Operations of Licensed Programs

All licensed programs interviewed are open 12 months per year, and all family and group program directors work between fifty- and sixty-hour weeks. All family and group providers pay themselves from the business earnings.

Child Care Licensing Cost Drivers

Directors were asked a series of questions regarding child care licensing regulations that contribute to higher operating costs and the commonly discussed regulations include fingerprinting/background checks (cost and delay), orientation training (cost and delay), CPR training (frequency, schedule, and no training credit), and the substantial rate increase for liability business insurance. Two providers specifically noted a 100% increase in annual rates. One director mentioned the cost associated with changing cleaning requirements; one director mentioned the cost of meeting staffing and training requirements for children with special needs; one director mentioned egress window requirements; and one director mentioned the cost to staff infant rooms, which have a 4:1 ratio. Two directors discussed the added cost of serving CACFP-qualified foods, with one discussing the specific added costs for those providing care in food deserts where travel is required for food purchasing. Overall, directors did not feel that these licensing regulations impact their tuition rates, and the most discussed cost-driving regulations were the same as those discussed during the 2020 analysis.

Staff Wages

One of the greatest cost drivers for child care programs is staffing salaries, and directors with employees were openly willing to discuss staff wage information during the interviews. Only one director pays minimum wage and the rest pay more than minimum wage, with one reportedly paying a starting wage of $15/hour.

Staffing Challenges

Directors with employees were asked to describe, using a five-point scale, with 1 being *very easy* and 5 being *very difficult*, how hard it is to find qualified staff. Responses ranged from 2 to 5, with the most common selection being 5 (3 directors) and the average being 4.2, which is very similar to the average from the 2020 analysis. These directors were also asked to describe, using a five-point scale, with 1 being *very unsatisfied* and 5 being *very satisfied*, how satisfied they are in the wages and benefits they currently provide. Responses ranged from 1 to 5, with the most common selections being 1 and 3 (2 directors each) and the average being 2.5, which is nearly the same as the average from the 2020 analysis. These directors were also asked to discuss staff turnover, and reported turnover rates ranged from 0% (no turnover) to 50% with an average of 25%. Reported turnover rates are notably higher than those reported during the 2020 analysis.

Unpaid Time

Directors were asked to discuss any unpaid time spent performing tasks related to the child care program, and there were common responses among the group. Many directors indicated that only they spend time performing tasks during unpaid time, and those tasks include cleaning, grocery shopping, paperwork, and preparation activities. These responses aligned with what was reported during the 2020 analysis.

Licensing and Accreditation

Directors were asked to discuss the time and cost of renewing their child care license and maintaining any accreditations. For in-home program directors, the amount of time spent on licensing renewals ranged from 1 to 10 hours each year, and for center directors, the amount of time ranged widely from five to more than a week with the amount of time required roughly correlating with the size of the program.

Directors were asked to discuss ideas regarding potential changes to the licensing renewal process for increased ease, and the ideas discussed include: exclusion of any forms that have no changes since the previous renewal, an extended license for compliant providers, licensor visits being scheduled closer to the renewal date, fewer requirements for part-time staff and substitutes, a step-by-step guide to the licensing renewal process, and up-to-date staff training records available through the Early Childhood Project. One in-home provider expressed interest in having the language changed from *registered* to *licensed* for family and group programs. Overall, recommendations were consistent with those recommendations made during the 2020 analysis. Directors were asked about any accreditations, and none of the programs are currently accredited.

Cost of Quality

Directors were asked to discuss the cost of providing quality child care, specifically the costs and revenue associated with the STARS to Quality system. Four of the nine programs included in this narrow cost analysis are STARS participants; two are at STAR level 2, one is at STAR level 4, and one is at STAR level 5. In discussing the cost of quality, directors were asked what they would need to change and how much it would cost for their program to reach the next STAR level. Neither of the STAR 2 directors knew what would be needed to apply for a STAR 3; the STAR 4 director discussed the need to obtain NAEYC accreditation, which she thought would be relatively expensive; and the STAR 5 director has already achieved the highest rating.

Directors were asked if staff salaries would be increased if the program achieved the next STAR level, and all STARS participants indicated that staff salaries would not change. All STARS participants reported that adult/child ratios would not change, group sizes would not change, and there would be no changes to the way they conduct business if their programs achieved the next STAR level. Directors were asked if the revenue collected from tuition covers the full cost of delivering quality care and if the costs of meeting the standards for the next level of quality would be covered by tuition. All STARS participants reported that tuition does not cover the cost of care provided at their current STAR level and that tuition would not cover the cost of care provided at the next STAR level, if applicable.

Tuition Rate Determination

Directors were asked to discuss what factors they considered when setting their tuition rates. The most discussed factors include staff salaries, inflation, total operating expenses and meal expenses. Each of the following factors were mentioned once: insurance for staff, internet maintenance, community size and average income, increased liability insurance rates, state rates, and costs associated with special needs. Directors were asked if they would raise their staff wages and tuition rates if the state of Montana raised the minimum wage. One director reported that wages and rates would be raised, and one reported that wages and rates would be raised but if the minimum wage increased to $15/hour.

Business Operations of Unlicensed Programs

All unlicensed programs interviewed are open 12 months per year with the type of care and capacity varying seasonally. Directors of unlicensed programs were asked to discuss a variety of topics related to operating a business and how their practices differ from licensing requirements.

Unlicensed Cost Drivers

Unlicensed programs are not eligible to receive reimbursements from the state-funded Best Beginnings scholarship program, which can be a reliable form of tuition payments for licensed programs. Unlicensed program directors were asked whether they can offer a sliding fee scale or scholarship program for families that struggle to afford the cost of care. Only one of the three programs interviewed utilizes a sliding fee scale, which can reduce the cost for parents by 20-100% and is afforded through grant funding. Another program can receive respite care scholarship funding.

Unlicensed programs are also not eligible to receive reimbursements from the CACFP, which can subsidize the food costs associated with providing snacks and meals. All three directors interviewed shared that their programs provide meals and snacks. The afterschool and summer camp program provides snacks and contracts with a community lunch program and local food bank to provide summer lunches. Both drop-in programs allow parents to provide meals and snacks if preferred.

Staff Wages

The unlicensed directors interviewed openly discussed staff wages, and all reportedly pay much more than minimum wage. One drop-in program director specifically offered that they pay $13/hour and hire primarily high school students.

Staffing Challenges

Because licensed programs are required to meet specific training requirements, unlicensed program directors were asked to discuss their staff onboarding and training protocols. The unlicensed directors interviewed offer in-person first aid/CPR training by a certified instructor; orientation training offered by the director, and annual trainings on food safety, behavior, and caregiver engagement offered by director and lead teachers. These programs also reported conducting back ground checks for new staff. Like licensed directors, unlicensed directors were asked to describe, using a five-point scale, with 1 being *very easy* and 5 being *very difficult*, how hard it is to find qualified staff. Responses ranged from 3 to 5, with the average being 4, which is very similar to the average of 4.2 among licensed directors. The directors were also asked to describe, using a five-point scale, with 1 being *very unsatisfied* and 5 being *very satisfied*, how satisfied they are with the wages and benefits they currently provide. Responses ranged from 2 to 3, with the average being 2.3, which is very similar to the average of 2.5 among licensed directors.

Unpaid Time

Like licensed program directors, unlicensed directors spend unpaid time on program-related tasks but do not expect staff to do the same.

Licensing Considerations

Directors of unlicensed programs were asked to discuss whether they have considered becoming licensed, what barriers exist, and becoming licensed might impact business practices, staff wages, and tuition rates. All three directors have considered becoming licensed and two of the programs were previously licensed. When asked about the barriers to being licensed, directors discussed how meeting the requirements that are not relevant to the ages of children they serve was overly burdensome, how the combination of staff turnover and having 6 different program sites makes it difficult to have a trained lead at each location as required, and how the outdoor space requirement is impossible to meet while operating in a commercial building.

Two of the directors believe they would be able to increase wages and benefits for staff if licensed because their budgets would be greater with reliable Best Beginnings payments and CACFP reimbursements. These two directors shared that they would not need to make any changes to the teacher to child ratios or group sizes for any age group and becoming licensed would not change the way they conduct business. The third director reported that her program would need to decrease teacher to child ratios and group sizes for some age groups and would not be able to serve as many children. In addition, the program would have to change practices regarding the use of trampolines, hot tubs, and swimming pools. One director thinks becoming licensed would result in a tuition rate decrease, one thinks it would result in a tuition rate increase, and one thinks tuition rates would not change if the program became licensed.

Tuition Rate Determination

Directors of unlicensed programs were asked to discuss what factors they considered when setting their tuition rates. The most discussed factors were like those discussed among licensed program directors and include staffing, insurance, food and supplies, affordability, and overall operating costs.

Recommendations

Directors of unlicensed programs were asked what changes they think might lead to more unlicensed programs becoming licensed. Recommendations made were consistent with the barriers each director discussed. The director who offers afterschool and summer camp care suggested tailoring licensing requirement to program type and ages served and potentially offering a different and appropriate set of regulations for programs not currently required to be licensed. The director who provides drop-in care in a commercial building suggested offering alternatives for meeting outside play requirements.

Conclusions

Operating a private child care business provides directors with a great deal of autonomy, which seems to be a factor in choosing the profession and a factor in profitability. For example, a family or group program director can choose between operating a program in their home (minimize expenses) or operating a program in a separate space (added expense).   There are trade-offs to each of these options, and this flexibility makes for great variation in business earnings of small programs. Directors can choose whether to participate in state-funded quality improvement programs, which might result in more paperwork and time, but might increase income and quality. The majority of directors interviewed are capitalizing on state programs aimed at increasing income of providers and access for families, which include the following: the Best Beginnings Scholarship program and the CACFP. Fewer of the directors interviewed participate in the STARS to Quality program, which aims to increase the quality of care and income of providers.

In the case of family providers, the opportunity to provide child care to their own children coupled with taking care of a few other children proved to be a viable model, albeit annual business earnings were relatively low. In the case of group providers, more children were served; but additional expenses for staff labor and buildings seemed to limit the annual business earning potential. It appeared that this interim step to becoming a larger facility was a financially challenging venture. In the case of center providers, annual business earnings were substantial for some providers; however, other centers with support from local churches or community organizations were operating not for profit businesses. These centers were focused on providing child care for low-income families and were dedicated to paying staff competitive wages.

These interviews and the narrow cost analysis conducted using the information gathered demonstrate that even when directors maximize income sources by capitalizing on available support programs and minimizing building expenses, the income earned is relatively low. This determination is based on a comparison of salaries of public-school teachers and paraprofessionals, both of which are higher than the average salaries of child care providers calculated in the narrow cost analysis. What we learned is that child care providers tend to prioritize accessibility for families over their profit.   Child care is instrumental in maintaining a functioning economy, but the economy of child care seems to be leaving many providers behind.

Interviews with directors of unlicensed programs shed light on the unique challenges faced by programs that don't offer full-time care to all ages. These interviews also demonstrated that there are many common challenges experienced by both licensed and unlicensed providers such as hiring, staff turnover, affordability, and profitability. All directors interviewed articulated a passion for providing quality care and supporting families in their communities, an awareness that it is difficult to pay enough and be paid enough in the child care business, and an acknowledgement that state licensing requirements could be important for child safety.

Appendices

Appendix A: Interview Instrument for Child Care Centers

Interview Instrument for Child Care Centers

Center name:	______________________
Interviewee:	______________________
Contact Info:	______________________
Business type:	☐ sole proprietorship ☐ partnership ☐ limited liability company ☐ corporation ☐ subsidiary
QRIS Rating:	______________________
Interview date:	______________________
Interviewer:	______________________

Introduction

Hi, this is [Name] from Montana State University.

First off, I want to thank you for your time today. We set up this time to talk today in order to help the Montana Early Childhood Services Bureau better understand what factors are driving the costs for you to deliver quality child care.

The questions we have for you today will help identify where you are spending the most time and money to operate, and how licensing regulations may influence your expenditures. If we do not cover an area that you think is an important aspect of your operating cost, we want to know that too.

The interview today should take approximately 45 minutes to an hour. Your answers today will only be viewed in full by our staff at Montana State University. When we write the report for the Montana Early Childhood Services Bureau, your name and the name of your center will not be used in any way. The information you give will be grouped with other providers who are answering this interview to provide general answers to the questions we have. Your participation in this interview is voluntary, and you can choose to end your participation at any time.

Do you have any questions for me before we begin?

Operating Cost

1. Let's begin by discussing your annual operating costs. Overall, what does it cost to operate your child care business in a year?
   [Note: This is all expenditures in a single year.] **$** ______________
2. And that's for about how many kids enrolled?
   [Note: This is the average total enrollment last year.] ______________
3. For how many months per year is your program open? ______________

Cost Driver – Staff

Now, I'm going to ask you about the costs that go into that figure. Let's start with personnel.

4. How many full time staff do you employ? ______________

5. How many part time staff do you employ? ______________

6. How many positions are currently vacant? [Note: Does the cost estimate you gave include the salary for the vacancy?] ________________

7. About how much of your annual operating costs are associated with staffing your center? [Note: includes gross wages/salary, benefits and your own/director's salary] ________________

8. About how much of your annual operating costs are associated with training new staff, professional development, or consultant expenses? ________________

9. On a 1-5 scale, with 5 being very difficult, how hard is it for you to find qualified staff?

Very easy 1 2 3 4 5 Very difficult

10. On a 1-5 scale, with 5 being very satisfied, how satisfied are you with the wages and benefits you are currently providing to staff?

Very unsatisfied 1 2 3 4 5 Very satisfied

11. How much turnover do you typically have in a year? [Note: The number of positions refilled in the past year, including multiple hires/losses for same position.] ________________

12. Is there time where you or your staff are performing activities to maintain quality of child care that are not part of your or their paid time? [Note: QRIS activities] ________________

- ✓ What activities are they doing? [I.e. community partnerships, class prep, parent ed.]
  - ________________
  - ________________
- ✓ On average, how much time is unpaid? ________________

13. Are there any regulations associated with hiring and staffing to meet health and safety regulations that contribute to higher operating costs? ☐ **Yes** ☐ **No**

- ✓ Which regulations? [Note: state licensing regulations]
  - ________________
  - ________________
  - ________________
- ✓ What is your cost to comply with this regulation? ________________
- ✓ Does this impact how you set your tuition rates? ________________

Cost Driver – Nonpersonnel

Next, let's talk about your expenses beyond staff.

14. Do you rent or own the child care facility? ☐ **Rent** ☐ **Own**

14a. If own, do you have a mortgage? ☐ **Yes** ☐ **No**

15. About how much of your annual operating costs are associated with:

Facility rent or mortgage?	
Utilities? (gas, water, electric, garbage)	
Cleaning and maintenance?	
Serving meals and/or snacks to the children? [Note: CACFP or not] % covered by CACFP	☐ **CACFP** covers: **%**
Supplies and materials for the classrooms?	
Office materials or equipment? (mailing, copies, or advertising; not phone and internet)	
Internet, phone, and credit card processing fees?	
Transportation? (fuel, insurance, maintenance, interest, depreciation)	
Financial fees? [accounting, audits, franchise fees]	
Business insurance?	
Have we missed anything?	
Total:	

16. Are there any regulations to meet health and safety regulations associated with non-personnel issues that contribute to higher operating costs? ☐ **Yes** ☐ **No**

17. Which regulations?

[Note: state licensing regulations]

-
-
-

17a. What is your cost to comply with this regulation?

17b. Does this impact how you set your tuition rates?

Licensing and Accreditation

18. When your child care license is up for renewal, about how many hours do you spend to complete the necessary paperwork? (What is the value of that time? $/hour)

19. Do have an estimate of how much you spend in inspections and other fees to maintain your license?

20. Are there any regulations associated with maintaining your child care license that contribute to higher operating costs?

- ✓ What would make the licensing renewal process easier?

•

•

21. Are you also accredited? ☐ **Yes** ☐ **No**

- ✓ What is the time and cost associated with accreditation?
- ✓ How often do you incur those costs?

Cost of Quality

22. If you were to meet the standards necessary to qualify for the next quality star rating level, what do you estimate that would cost you?

- ✓ What sort of activities would you need to do?

✓

✓

[Note: If they are not planning to apply for the next level, this is hypothetical. We are trying to get to what costs they foresee and why they might not proceed.]

Would moving to the next quality star level lead you to increase salary and/or benefits for staff?	☐ **Yes** ☐ **No**
Would it lead you to have smaller teacher to child ratios for any age group?	☐ **Yes** ☐ **No**
Would it lead you to decrease the maximum group size for any age group?	☐ **Yes** ☐ **No**
Would moving to the next quality star level change the way you conduct your business?	☐ **Yes** ☐ **No**
At your current star level, does the revenue you collect from tuition cover the full cost of delivering quality care?	☐ **Yes** ☐ **No**
If you were to try and meet the standards for the next level of quality, do you anticipate that the costs of doing so would exceed the revenue you are able to collect at your current tuition rates?	☐ **Yes** ☐ **No**

Revenue

23. About how much of your monthly revenue is associated with:

Payments from parents?	
Best Beginnings scholarship reimbursements?	
CACFP reimbursements	
QRIS reimbursements?	
Donations?	
Have we missed anything?	
Total:	

Wrap-Up

We are almost done. I just have a few more questions.

24. Taking into account all of the cost factors discussed today, what factor(s) drive the tuition rates you charge?
✓ ____________________
✓ ____________________
✓ ____________________

25. When was the last time you raised your tuition rates? ____________________

26. If the State of Montana decided to raise the minimum wage (currently $8.65), at what new rate would that impact your staffing costs so that you would have to raise your tuition rates? ____________________

27. Is there a factor that we have not yet discussed that contributes a significant amount to your annual operating costs? ____________________

28. That's everything we have for you today. Is there anything else you would like to add?

____

____

____

Okay. Thank you again for your time today! We really appreciate your willingness to help!

Source : https://www.michigan.gov/documents/mde/MRS_Final_Rpt_620152_7.pdf

Appendix B: Child Care Centers Budget Worksheet

Child Care Centers Budget Worksheet

INCOME

1. **What is the annual gross receipts or sales of your child care business?** $ ________ (Schedule C; line 7)
   Provide a breakdown of the above income in the categories below. The total of the amounts in the categories below should match the amount in line 1 above.
   - Parent payments $ ________
   - Best Beginnings Scholarship payments $ ________
   - CACFP Reimbursements $ ________
   - QRIS (STARS) Reimbursements $ ________
   - Other $ ________
2. **What is the annual profit of your child care business?** $ ________ (Schedule C; line 31)

EXPENSES

3. **What does it cost to operate your child care business in a year?** $ ________ (Schedule C; line 28)

Note: The total of lines 4 through 17 should match the amount from line 3 above.
About how much of your annual operating costs are associated with the following:

4. Staffing your center? (includes wages and benefits) $ ________ (Schedule C; lines 14 + 26 +19)
5. Training new staff, professional development, or consultant expenses? $ ________ (Schedule C; line 27)
6. Facility rent or mortgage? (Do you rent or own?) ________ $ ________ (Schedule C; line 16a or 20b)
7. Utilities? (includes gas, electric, garbage, water, internet, and phone) $ ________ (Schedule C; line 25)
   - Gas & electric $ ________
   - Municipal services: garbage and water $ ________
   - Communication: internet and phone $ ________
8. Cleaning, repairs, and maintenance? $ ________ (Schedule C; line 21)
9. Meals and/or snacks to the children? (not covered by CACFP reimbursements) $ ________ (Schedule C; line 24b)
10. Supplies and materials for the classrooms? $ ________ (Schedule C; line 22)
11. Office materials or equipment? (includes mailings, copies, or advertising) $ ________ (Schedule C; line 8 + 18)
12. Transportation? (includes fuel, insurance, maintenance, interest, and depreciation) $ ________ (Schedule C; line 9)
13. Legal and financial fees? (includes accounting, audits, and franchise fees) $ ________ (Schedule C; line 17)
14. Business insurance? $ ________ (Schedule C; line 15)
15. Business taxes and licenses? (do not include income taxes) $ ________ (Schedule C; line 23)
16. Travel? $ ________ (Schedule C; line 24a)
17. Other? Describe: ________ $ ________

Appendix C: Interview Instrument for Child Care Homes

Interview Instrument for Child Care Homes

Home Name: ______________________________

Family or Group: ______________________________

Interviewee: ______________________________

Contact Info: ______________________________

Business type: ☐ sole proprietorship ☐ partnership ☐ limited liability company ☐ corporation ☐ subsidiary

QRIS Rating: ______________________________

Interview date: ______________________________

Interviewer: ______________________________

Introduction

Hi, this is [Name] from Montana State University.

First off, I want to thank you for your time today. We set up this time to talk today in order to help the Montana Early Childhood Services Bureau better understand what factors are driving the costs for you to deliver quality child care.

The questions we have for you today will help identify where you are spending the most time and money to operate. If we do not cover an area that you think is an important aspect of your operating cost, we want to know that too. We will also ask you whether you think any regulations are causing your operating costs to be too high.

The interview today should take approximately 45 minutes to an hour. Your answers today will only be viewed in full by our staff at Montana State University. When we write the report for the Montana Early Childhood Services Bureau, your name and the name of your business will not be used in any way. The information you give will be grouped with other providers who are answering this interview to provide general answers to the questions we have. Your participation in this interview is voluntary, and you can choose to end your participation at any time.

Do you have any questions for me before we begin?

Operating Cost

1. Let's begin by discussing your annual operating costs. Overall, what does it cost to operate your child care business in a year?
   [Note: This is all expenditures in a single year.] **$** ______________
2. And that's for about how many kids enrolled?
   [Note: This is the average total enrollment last year.]
3. For how many months per year is your program open? ______________

Cost Driver – Staff

Now, I'm going to ask you about the costs that go into that figure. Let's start with personnel.

4. How many hours do you work in an average week? [Include all time including purchasing food, bookkeeping, etc.] ______________________

5. Do you issue yourself a regular paycheck or do you draw your salary from your profits? ______________________

    - ✓ If paycheck, is this included in the number you gave as part of the annual operating cost? ______________________
    - ✓ Do you also include the cost of your health insurance and other benefits in your annual operating cost? ______________________
    - ✓ About how much of your annual operating costs goes toward your salary? ______________________

6. Do you employ any assistants? ☐ **Yes** ☐ **No**

    a. About how many hours a year does your assistant(s) work? ______________________

    b. Do you pay your assistant(s) minimum wage or higher? [Note: $8.65 - record wage if higher than minimum wage] ______________________

    c. Is your assistant's salary included in the number you gave me as part of annual operating cost? What about benefits? ______________________

    d. About how much of your annual operating costs goes toward your assistant's salary? ______________________

7. On a 1-5 scale, with 5 being very difficult, how hard is it for you to find qualified assistants?

    Very easy 1 2 3 4 5 Very difficult

8. On a 1-5 scale, with 5 being very satisfied, how satisfied are you with the wages and benefits you are currently providing your assistant?

    Very unsatisfied 1 2 3 4 5 Very satisfied

If employs assistant(s)

9. How often do you have turnover with your assistant? ______________________

10. If the State of Montana decided to raise the minimum wage [$8.65], at what point would that impact your costs with your assistant so that you would have to raise your tuition rates or otherwise make changes to your business? ______________________

11. Is there time where you (or your assistant) are performing activities that are not part of paid time? ______________________

✓ What activities are being done? •
•

✓ On average, how much time is unpaid?

12. Are there any regulations associated with caregiver responsibilities to meet health and safety regulations that contribute to higher operating costs? ☐ **Yes** ☐ **No**

✓ What regulations? •

[licensing regulations] •

✓ What is your cost to comply with this regulation?

Cost Driver – Business Expenses

Next, we will ask about your business expenses. As you are probably aware from your tax records, operational costs are divided into the direct expenses from running a child care business and those expenses that are a proportion of sharing your home expenses with a business.
Next, let's talk about your expenses beyond staff.

13. Do you rent or own the child care home? ☐ **Rent** ☐ **Own**

14. If own, do you have a mortgage? ☐ **Yes** ☐ **No**

About how much of your annual operating costs are associated with:

15. About how much of your annual operating costs are associated with the direct child care business expenses? [In tax language: 100% business use expenses]

16. About how much of your annual operating costs are associated with the shared use of your home? [In tax language: business use of home expenses]

Total:

Business Use expenses*: The expenses that exclusively come from the operation of the child care business—such as food for children's meals and snacks, educational materials, office supplies, transportation, advertising, liability insurance, fees to accountants/tax prep/or credit card processing, professional development, professional membership dues, and licenses or permits.* ***Business use of home expenses****—such as mortgage and property taxes/or rent, insurance, utilities, repairs and home maintenance, and cleaning supplies—that have been attributed as a proportion of your home's use as the child care business.*

17. Are there any regulations to meet health and safety regulations associated with non-personnel issues that contribute to higher operating costs? ☐ **Yes** ☐ **No**

   a. What regulations? •

[licensing regulations] •

b. What is your cost to comply with this regulation? ______

c. Does this impact how you set your tuition rates? ______

Licensing and Accreditation

18. When your child care license is up for renewal, about how many hours do you spend to complete the necessary paperwork? ______

19. Do have an estimate of how much you spend in inspections and other fees to maintain your license? ______

20. Are there any regulations associated with maintaining your child care license that contribute to higher operating costs? ______

21. What would make the licensing renewal process easier? ______

22. Are you also accredited? ☐ **Yes** ☐ **No**

    a. What is the time and cost associated with accreditation? ______

    b. How often do you incur those costs? ______

Cost of Quality

Interviewer note: If they are not planning to apply for the next level, this is hypothetical. We are trying to get to what costs they foresee and why they might not proceed.

23. If you were to meet the standards necessary to qualify for the next quality star rating level, what do you estimate that would cost you? ______

    ✓ What sort of activities would you need to do?

Would moving to the next quality star level lead you to have a smaller group size or teacher to child ratio than required by licensing?	☐ **Yes**	☐ **No**
Would moving to the next quality star level change the way you conduct your business in any other way?	☐ **Yes**	☐ **No**
At your current star level, does the revenue you collect from tuition cover the full cost of delivering quality care?	☐ **Yes**	☐ **No**
If you were to try and meet the standards for the next level of quality, do you anticipate that the costs of doing so would exceed the revenue you are able to collect at your current tuition rates?	☐ **Yes**	☐ **No**

Revenue

24. **About how much of your monthly revenue is associated with:**

Payments from parents?	
Best Beginnings scholarship reimbursements?	
CACFP reimbursements	
QRIS reimbursements?	
Donations?	
Have we missed anything?	
Total:	

Wrap-Up

We are almost done. I just have a few more questions.

25. Taking into account all of the cost factors discussed today, what factor(s) drive the tuition rates you charge? ______________________

____

____

26. When was the last time you raised your tuition rates? ______________________

27. Is there a factor that we have not yet discussed that contributes a significant amount to your annual operating costs? ______________________

28. That's everything we have for you today. Is there anything else you would like to add?

Okay. Thank you again for your time today! We really appreciate your willingness to help!

Source : https://www.michigan.gov/documents/mde/MRS_Final_Rpt_620152_7.pdf

Appendix D: Child Care Homes Budget Worksheet

Child Care Homes Budget Worksheet

INCOME

1. **What is the annual gross receipts or sales of your child care business?** $ ________ (Schedule C; line 7)
   Provide a breakdown of the above income in the categories below. The total of the amounts in the categories below should match the amount in line 1 above.
   - Parent payments $ ________
   - Best Beginnings Scholarship payments $ ________
   - CACFP Reimbursements $ ________
   - QRIS (STARS) Reimbursements $ ________
   - Other $ ________
2. **What is the annual profit of your child care business?** $ ________ (Schedule C; line 31)

EXPENSES

3. **What does it cost to operate your child care business in a year?** $ ________ (Schedule C; line 28)

Note: The total of lines 4 through 18 should match the amount from line 3 above.
About how much of your annual operating costs are associated with the following:

4. Staffing your center? (includes wages and benefits) $ ________ (Schedule C; lines 14 + 26 +19)
5. Training new staff, professional development, or consultant expenses? $ ________ (Schedule C; line 27)
6. Facility rent or mortgage? (Do you rent or own?) ________ $ ________ (Schedule C; line 16a or 20b)
7. Utilities? (includes gas, electric, garbage, water, internet, and phone) $ ________ (Schedule C; line 25)
   - Gas & electric $ ________
   - Municipal services: garbage and water $ ________
   - Communication: internet and phone $ ________
8. Cleaning, repairs, and maintenance? $ ________ (Schedule C; line 21)
9. Meals and/or snacks to the children? (not covered by CACFP reimbursements) $ ________ (Schedule C; line 24b)
10. Supplies and materials for the classrooms? $ ________ (Schedule C; line 22)
11. Office materials or equipment? (includes mailings, copies, or advertising) $ ________ (Schedule C; line 8 + 18)
12. Transportation? (includes fuel, insurance, maintenance, interest, and depreciation) $ ________ (Schedule C; line 9)
13. Legal and financial fees? (includes accounting, audits, and franchise fees) $ ________ (Schedule C; line 17)
14. Business insurance? $ ________ (Schedule C; line 15)
15. Business taxes and licenses? (do not include income taxes) $ ________ (Schedule C; line 23)
16. Travel? $ ________ (Schedule C; line 24a)
17. **Overall, what is the total annual expense for business use of your home?** $ ________ (Schedule C; line 30)
    17a. Total square footage of your home? $ ________
    17b. Square feet of your home used for child care? $ ________
    17c. Months per year your program is open? $ ________
18. Other? Describe: ________ $ ________

Appendix E: Interview Instrument for Unlicensed Programs

Interview Instrument for Unlicensed Child Care Programs

Center name: ______________________

Interviewee: ______________________

Contact Info: ______________________

Business type: ☐ sole proprietorship ☐ partnership ☐ limited liability company ☐ corporation ☐ subsidiary

QRIS Rating: ______________________

Interview date: ______________________

Interviewer: ______________________

Introduction

Hi, this is [Name] from Montana State University.

First off, I want to thank you for your time today. We set up this time to talk today in order to help the Montana Early Childhood Services Bureau better understand what factors are driving the costs for you to deliver quality child care and potential barriers to licensing a program.

The questions we have for you today will help identify where you are spending the most time and money to operate, and how potential costs to meet licensing regulations may influence your program. If we do not cover an area that you think is an important aspect of your operating cost, we want to know that too.

The interview today should take approximately 30-45 minutes. Your answers today will only be viewed in full by our staff at Montana State University. When we write the report for the Montana Early Childhood Services Bureau, your name and the name of your center will not be used in any way. The information you give will be grouped with other providers who are answering this interview to provide general answers to the questions we have. Your participation in this interview is voluntary, and you can choose to end your participation at any time.

Do you have any questions for me before we begin?

Operating Cost

4. Let's begin by discussing your annual operating costs. Do you know what it costs to operate your child care business in a year?
   [Note: This is all expenditures in a single year.] ______________________
5. How many kids can your program care for? Rates? ______________________
6. For how many months per year is your program open? ______________________

Cost Driver – Staff

Now, I'm going to ask you about the costs that go into that figure. Let's start with personnel.

4. How many full-time staff do you employ? ______________________

5. How many part-time staff do you employ? ______________

6. How many positions are currently vacant? [Note: Does the cost estimate you gave include the salary for the vacancy?] ______________

7.Tell me about staff training? Do staff receive training from outside the program? i.e. first aid/cpr? CCR&R? ______________

8. Is staff time paid for training? ______________

9. On a 1-5 scale, with 5 being very difficult, how hard is it for you to find qualified staff?

Very easy 1 2 3 4 5 Very difficult

10. On a 1-5 scale, with 5 being very satisfied, how satisfied are you with the wages and benefits you are currently providing to staff?

Very unsatisfied 1 2 3 4 5 Very satisfied

Cost Driver – Nonpersonnel

Next, let's talk about your expenses beyond staff.

14. Do you rent or own the child care facility? ☐**Rent** ☐**Own**

14a. If own, do you have a mortgage? ☐**Yes** ☐ **No**

Are children provided with snacks and/or meals while in the program? If so, are those expenses added to tuition?	
Does the program purchase supplies and materials for the classrooms?	
Does the program spend money on office materials or equipment? (mailing, copies, or advertising; not phone and internet)	
Does the program spend money on internet, phone, and credit card processing fees?	
Does the program provide transportation?	
Does the program spend money on financial fees? [accounting, audits, franchise fees]	
Does the program have business insurance?	
Are background checks conducted for new staff? If so, does the program pay for those?	

Does your program pay for any inspections by outside entities, such as the fire department or a local health department?

Licensing

16. Have you considered obtaining a state child care license for the program? (how much do you know about what that would entail?) ☐ **Yes** ☐ **No**

17. If so, what were some of the barriers or reasons you chose not to?

-
-
-

17a. If not, is that something you might consider in the future? Any incentives that would encourage you to become licensed?

17b. Why/why not?

Cost of Quality

22. Does your program go above and beyond what parents might expect in order to create a quality program?

✓ What sort of things do you do?

✓

✓

Would becoming licensed lead you to increase salary and/or benefits for staff? Grants would hopefully increase budget	☐**Yes** ☐ **No**
Would it lead you to have smaller teacher to child ratios for any age group?	☐ **Yes** ☐**No**
Would it lead you to decrease the maximum group size for any age group?	☐ **Yes** ☐**No**
Would becoming licensed change the way you conduct your business?	☐ **Yes** ☐**No**
Would it lead you to increase your tuition rates?	☐ **Yes** ☐**No**

Revenue

23. Program affordability/access

Do any of your parents struggle to pay tuition?	
Do you think there are families in the community who might benefit from your program, but can't afford it?	
Would you like to serve children whose parents might not be able to afford your program?	
Does your program have a sliding fee scale or any type of scholarship program?	
Does your program receive any donations?	
Have we missed anything?	
Total:	

Wrap-Up

We are almost done. I just have a few more questions.

24. Taking into account all of the cost factors discussed today, what factor(s) drive the tuition rates you charge?
    - ✓ ______
    - ✓ ______
    - ✓ ______

25. When was the last time you raised your tuition rates? ______

26. If the State of Montana decided to raise the minimum wage (currently $8.65), at what new rate would that impact your staffing costs so that you would have to raise your tuition rates? ______

27. Is there a factor that we have not yet discussed that contributes a significant amount to your annual operating costs? ______

28. That's everything we have for you today. Is there anything else you would like to add?

______

______

______

Okay. Thank you again for your time today! We really appreciate your willingness to help!

Appendix F: Additional Providers Contacted

Centers
Billings (3)
Bozeman (3)
Hamilton (2)
Browning
Corvallis
Chinook
Great Falls
Havre
Helena

Group Programs
Circle
Butte
Malta
Wolf Point

Family Programs
Miles City (2)
Kalispell