

Why Should I Stay on the Food Program?

I am going to be losing money because the Tier II reimbursement rate is not going to cover the cost of my food.

You are never losing money when you are on the Food Program. It's true that your reimbursement check may not pay for all the food you buy for your business. But it's always better to get some money for the food you are buying than to receive nothing at all.

Think of being on the Food Program like having a job. The Food Program is paying you to do some paperwork. If you were on the Food Program you would still have to prepare a menu, buy the food, cook it and serve it. How much are you being paid per hour for doing the paperwork required by the Food Program?

If you spend three hours per week on paperwork, that is 156 hours per year. If you care for four children and receive the lower Tier II rate, you earn \$2,256 a year (\$564 per child x 4). Your hourly rate is \$14.46 per hour (\$2,256 divided by 156 hours.) If you spent less time on paperwork, your hourly earnings would go up. It is certainly worthwhile to stay on the Food Program and earn more than \$14 per hour.

It's not worth it to claim a snack for only 20 cents.

Wrong. A typical provider would earn over \$9.58 per hour by claiming this snack. Let's look at an example. If you claim a 20-cent snack for the entire year, the total reimbursement for one child is \$52 (\$0.20/day x 5 days/week x 52 weeks.) If you care for four children, the total is \$208 (\$52 x 4=\$208). If it takes you five minutes a day to record these snacks, this will amount to 21.7 hours a year (5 minutes a day x 5 days per week x 52 weeks). This means that you would earn slightly more than \$9.58 per hour for doing the paperwork (\$208 divided by 21.7 hours). If you spent less than 5 minutes you will earn even more. Don't throw away this opportunity to earn more for your time than you earn caring for children.

I'll be better off if I leave the Food Program and then charge parents for food.

In order to replace money you would lose from the food program at the Tier II rate, you would have to charge parents \$10.84 (\$564 divided by 52 weeks) extra per child per week. You'd have to report this income and pay taxes on it (just the same as if you received this money as a reimbursement). If you don't raise your rates by at least this much, you will be financially worse off than you were on the Food Program. If you raise your rates by \$11.84 per week you will be better off by only \$1 per week. If you stay on the Food Program and raise your rates, you will keep every dollar of the increase for yourself.

I'll be better off if I leave the Food Program and then have the parents bring all the food.

If you have parents bring all the food, then you will be better off financially. But most providers cannot rely on parents to regularly bring all the food. If they don't and you spend as little as \$10.84 a week per child for food (or \$564 per year), then you are in the same condition as if you stayed on the Food Program at the Tier II rate. If you spend more than this amount for food, you will be worse off than staying on the Food Program.

How is this so? By having parents bring food, you are saving \$1,172 a year in food cost per child. This assumes that you spend the same amount on food as you received from the Food Program at the Tier I \$4.51 a day rate. But you are also giving up \$564 a year in food reimbursement (assuming you are at the Tier II level). The difference is \$608 per year per child. This represents your actual savings.

But if you have to spend more than \$608 a year on food per child that the parents don't bring then you are worse off. Some parents may think it is cheaper for them to pay you \$11.69 (\$608 divided by 52 weeks) per week in higher fees so that you can remain on the Food Program, rather than bringing all the food themselves. Many parents may also be concerned about the nutritional quality of the food you serve their children. If you decided to leave the Food Program parents may object. You could lose some parents who prefer to enroll their child with a provider who can guarantee that their child will receive nutritious meals.

Reimbursements from the Food Program are offset by my food expenses, so I'm not losing anything by leaving the program.

Wrong. You spend money on food regardless of whether or not you are on the Food Program. Most providers spend more on food than the reimbursements they receive. All food served to day care children is deductible whether or not you are on the Food Program. Any reimbursements you receive are like getting a raise or like parents paying you an extra \$10.85 more per week, per child (Tier II rate). Leaving the Food Program is like turning down a raise or refusing to accept extra money from parents. Reimbursement from the Food Program always increases your bottom line profit. Taking this money means the children in your care will get more nutritious food.