How to Effectively Use Contracts & Policies

Presented by Tom Copeland
For Early Childhood Investigations
Instructor

* Tom Copeland, JD
* I do not charge a fee for answering questions
* 651-280-5991
* tomcopeland@live.com
* www.tomcopelandblog.com
* www.facebook.com/tomcopelandblog
Resources

- Redleaf Press [www.redleafpress.org](http://www.redleafpress.org); 800-423-8309
- Family Child Care Contracts & Policies
- Redleaf Complete Forms Kit for Child Care Providers
This class will enable you to better to –

- Establish a business relationship with parents
- Learn what should be put in a contract and policies
- Enforce agreements with parents
- End their contract with parents
“I am not rendering legal tax, or other professional advice. If you require this type of assistance, please consult a professional to represent you.”
You May Set Own Rules

- Main benefit of being a director or family child care provider
  - Can run your own business as you want
    - Highly structured vs. informal program
    - Religious vs. non-religious activities
    - Cares for or excludes infants
    - Many field trips, dramatic play everyday, vegetarian food, etc.

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As owner of your own business, it is up to you to define your program

No classes for parents: “How to Pay your Child Care Provider on Time”

Parents are not your “friend”

You do not need to listen to what I say!
Parents as Clients

- Many parents have little experience with child care
  - Last generation of parents who were not in child care as children
  - Parents may have difficulty understanding child care as a business
Home vs. Center

- Center
  - Easier to relate to as a business
    - School for small children
- Home
  - Harder to understand as a business
    - Do not look like a business, no cashier, no checkout, private home (scary for some parents)
“Why do some parents not treat you like a business?”
“Because some caregivers do not act like a business”

- Hardest sentence to say to parents: “You owe me money”
- Some caregivers don’t like acting as a business
- Need to change personal relationship to business one
Use Props

- Props are physical items that can help communicate business rules
- Contract and policies are primary tool
- Other examples
  - Receipts
  - Bulletin board (post receipts)
  - Written notes (vs. verbal communication)
  - Newsletters/emails
  - Shoe box
  - Contract and policies
Parent Enrollment

- You do not have to accept all parents
- References
- Can say “no” for no reason, or any reason (except illegal discrimination)
- Trial period
How to Say “No”

- “I do not think this is the best place for your child at this time”
- Do not put reasons in writing
  - Parent will be insulted
  - Illegal discrimination danger
Poll Question #1

Can you charge a higher rate to a parent who works at Walmart?
Different Rules

• You can have different rules for different parents
  • Rates
  • Pickup times
  • Other
• Reasons for different treatment should be logical
  • Age of child, parent longevity, “special circumstances”
You can run your business however you want with this exception:

It is illegal to discriminate against parents or children based on: race, color, gender, religion, age, disability, or national origin
What is a Contract?

- Legally enforceable agreement between two parties
- Terms of time and money are enforceable in court
  - Hours of operation, open/close for holidays, vacations, sick days, etc.
  - Fees for care, terms of payment, other fees
Verbal vs. Written Contract

- A verbal contract is enforceable: “I will promise to care for your child for $150 a week.” “I accept.”
- But verbal contracts are hard to enforce
- Any change to a written contract should be in writing
Basic Contract Terms

- Names of all parties to contract
- Hours of operation
- Terms of payment
- Termination procedure
- Signatures of all parties
Two Key Rules

• To avoid problem of parents owing money when the leave –
  “Client will pay at least one week in advance”
  “Client will pay in advance for the last two weeks of care”
• Never provide care unless it has already been paid for
• You have expenses during the week (food, supplies)
• Payment can be on Monday or on Friday for the next week
• Parent can pay a little extra per week as a transition
Most common contract problem: Parents leave without paying
Advance payment covers last two weeks even if rates have gone up
Parent can pay a little extra per week as a transition
You should offer refund if terminating parent immediately
Easier to enforce other rules if paid in advance
Holding Fees

- Provider promises to hold slot open until a future date
- You should not promise to hold slot without a parent payment
  - Payment can be flat fee, % of regular fee
  - Holding fee is nonrefundable
- You should not apply holding fee to care once child is enrolled
What are Policies?

- Rules that spell out “how” care will be provided
- Policy rules are not enforceable in court
  - Parent does not bring extra change of clothes
  - Provider does not take scheduled field trip
- Provider policies can be simple or extensive
Key Policy Terms

- Provider information
- Client responsibilities
- Child care program description
- Illness, health, and safety policies
- Policies for transporting children

No requirements for any policies
You can set your own rules
  * You can negotiate with parents to change them
Parent wants to renegotiate late fee
  * Response: No, Raise regular rate, Make exception
Parent cannot afford to make weekly payment
  * Response: Repayment plan, Forgive debt, Terminate
Poll Question #2

Any change to a written contract must be in writing
Two Separate Documents

- Contract and policies should be two separate documents
- Contract can only be changed with parent signature
- You can change your policies at will
Collecting Parent Payments

• Common time of stress
• “I forgot my checkbook”
  • Go home and get it (late fee will be due)
  • Use blank check obtained earlier from parent
• Some caregivers use electronic payment plans such as Reliafund ([www.reliafund.com](http://www.reliafund.com))
  • Minute Menu Kids Pro
Enforcing Agreements

- You are always responsible for enforcing your contract and policies.
- You can enforce your rules, renegotiate them, or ignore them.
- If you decide not to enforce a rule you should take it out of your contract or policies.
Consequences

* To enforce the agreement you must set a consequence
* Consequences to parents are usually
  * Money
  * Termination of the agreement
Late Pick-Up

- Parent is regularly late in picking up child
- Possible consequences:
  - Late fee
    - No late fee if notified by phone within 1 hour
    - 15 minute grace period, then $.50 minute
    - $1 minute
  - Termination
    - 2 late pick-up in a month, then termination
    - Immediate termination
Caregivers are often worried that parents will leave if they put their foot down and enforce their rules.

Sometimes parents do leave – but not often.

Caregivers rarely regret it when they do enforce their rules.
Before Ending the Agreement

• Clearly state the problem and its consequences
  • “Pay me on time or I will terminate the contract”

• Give the parent a written warning
  • “The next time you pay me late I will terminate the contract”

• Give the parent a termination notice
Reasons for terminating the contract

- Disruptive behavior
- Violation of the contract
- High anxiety
- Any reason

Before terminating, you should ask yourself – “Is there anything the parent could do that would change my mind?”
Termination Procedure

- “Parent must give a two-week written notice. Payment is due for this notice period even if child is not brought to care.”
- “Child care center or family child care provider may terminate at will.”
  - You may give a notice
It’s best to give reasons for terminating a parent in writing
Termination Notice

• “Your last day of care will be __________. Under our agreement you are required to pay for my services until then, whether your child attends my program or not.”

• Do not explain reasons for termination in the notice
  • Parent will not agree
  • Parent may believe you are illegally discriminating
Caregivers often feel stuck in trying to resolve conflicts with parents.

Find a coach to help you deal with parent conflicts (spouse, another provider, etc.).

Job of coach is to get you to choose one of the 3 Choices of Life to resolve the conflict.
3 Choices of Life

• Choice #1: “I am happy”
• Choice #2: “I am not happy. This is what the parent must do to make me happy. If the parent doesn’t do it, I will terminate the parent”
• Choice #3: “I quit my job (center) or my business (home)”
3 Choices of Life Explained

• Choice #1: “I am happy”
  • Life is too short to worry about it. Let the parent do what they want.
• Choice #2: “I am not happy”
  • If the parent won’t follow the rules, end the agreement
• Choice #3: “I quit my job/business”
  • I am not happy and I cannot deal with the stress, so I am going out of business
It’s acceptable for you to choose any one of the 3 Choices of Life
Many caregivers bend their rules and remain happy
Some caregivers are better off moving on to another job – why be unhappy and make a small amount of money?
If you are not happy you need to take action
Summary

- You are your own boss – design your program to meet your needs
- Use a written contract and policies
- Adopt two key contract rules
- Enforce your rules with consequences

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  - www.tomcopelandblog.com
  - www.facebook.com/tomcopelandblog

Good luck!