



HELPFUL HINTS FOR CHILD CARE PROVIDERS

We believe these hints will be useful whether you are planning to start a child care program or are an experienced child care professional. The first section offers some tips for starting-up or expanding – whether at home or in a center – and for saving money and enhancing program quality. The second section provides a list of resources, usually free, that are available to assist child care providers with curriculum and business planning concerns. We are grateful to many child care providers and members of the broader child care community for these ideas.

BUSINESS TIPS

Call Self-Help or check our web site at www.self-help.org: Our web site provides information for free download. Topics include: pros and cons of nonprofit versus for-profit, historic tax credits, and cash flow spreadsheets designed specifically for nonprofits, child care, and charter schools.

Market area conditions: Key market factors that you should be aware of include the number of existing child care programs in the area, the capacity of these programs, the rates they charge, and the vacancy rates and/or waiting lists at the programs. Your local child care resource and referral agency may be able to help you obtain this information. The accessibility of your location for commuting parents is also key, as are local employment and residential growth trends. Check your library or Chamber of Commerce for information on growth trends.

Income targeting and subsidy programs: You also need to understand the market well enough to decide whether you will be targeting low-income, middle-income and/or affluent families. This decision will affect how much you can charge and whether or not you participate in the various child care subsidy and food programs. Under the star-rated license system, the more stars you have, the higher your reimbursement rate. If you plan to serve low-income families be sure to contact your local county DSS to gauge the availability of subsidy dollars in your area.

Caring for infants: Providing infant care can be a good business move. Frequently, market area demand is highest for infant care and you can charge a premium for such care. In addition, parents may keep their children with the same provider as they advance through the preschool years. On the downside, however, infant care is labor intensive.

Start-up timing: It is best to start in August/September or January, months when there are breaks in the school year. Parents are more likely to make changes in care arrangements after vacation breaks.

Food: Contracting out food service preparation during the start-up phase can save you the equipment costs associated with furnishing a kitchen. This step will also save the cost of hiring a cook and free you from overseeing meal planning and grocery shopping. While these savings are real, you will have to carefully manage the contract with the caterer. Consider participating in the Child and Adult Care Food Program. If your program qualifies, this national program will reimburse you for your food expenses, and thus add to your revenues. A training component is also part of the food program. If you run a child care home, contact your local Resource and Referral Agency or state child care consultant to find out how to apply. If you run a center, contact the state's Special Nutrition Program at (919) 715-1923.

Food banks are another source to use to save on food costs. For centers that are nonprofit (501(c) 3) and serve 60% needy children (low income or special needs), food can be bought at a highly reduced rate of 14 cents per pound. There is a small membership fee for those who qualify. Call the statewide office in Raleigh (919) 875-0707 to find out the food bank that serves your county.

Economies of scale: Potential providers who are considering opening a child care center should be aware of the effect of economies of scale. Large centers have more flexibility to move teachers and students around to adapt to both the staff:child ratios and teacher breaks. Small centers can be successful, but they have less flexibility to take advantage of economies of scale.

Working capital: All start-ups should have a minimum of three months of working capital (cash available to fill in the gap between revenue and expenses). Programs that will not open in August/September or January should have more working capital available.

Revenue projections: Providers should never project being more than 90% full. Projecting being full (90%) in less than six months is unrealistic. In fact, one expert believes it usually takes at least 24 months to become full. You might want to consider requiring parents to sign a payment agreement upon enrolling their child. This can help you manage problems regarding late payment and no payment. The agreement might require parents to give two weeks notice before taking their child out of the program or have them pay one week's tuition in advance.

Transportation: Providing transportation for parents is a costly service. It may also reduce the level of parental involvement. On the other hand, it can be used as a recruiting tool and, in the case of after-school child care, providing transportation for parents may be a necessity. If you choose to offer transportation, you should build the cost of offering the service into your fee structure.

Break-even analysis: "Break-even" occurs when business revenues equal business expenses, i.e., zero profit. The break-even concept is important for the start-up provider, because it is what determines the minimum enrollment necessary to break-even, or more simply, to not operate at a loss! An example can illustrate this point:

Example: Joy Childress is about to open a child care center. She divides her expenses into fixed and variable costs. She estimates her fixed costs -- those she must pay no matter how many children she has enrolled, such as her salary, utilities, rent/mortgage, insurance, and overhead -- to be \$4,000 per month. Since she is charging \$400 per child per month, she must enroll 10 children per month to cover her fixed costs, i.e. to break-even ($\$400/\text{month} \times 10 \text{ children} = \$4,000$).

She then needs to estimate her variable costs. Variable costs are costs that change with the number of children served, such as food, supplies, and extra teachers. Let's say that in her initial estimates they add up to another \$8,000 per month. Taking the same \$400 per child per month, she would need to add 20 more children ($\$400/\text{month} \times 20 \text{ children} = \$8,000$).

Thus, combining fixed and variable costs, Joy needs to take in at least 30 children to break-even. Based on these numbers, she needs to be sure that the space she intends to use will allow her to be licensed as a medium center. Otherwise, she will be forced to operate at a loss.

Break-even analysis is not an exact science. Instead of adding more children, she could charge higher rates or she could plan to enroll older children which would require her to hire fewer teachers because of

the staff:child ratios. In other words, a change in one variable affects the others. The spreadsheet on Self-Help's website calculates your break-even automatically for you.

Personnel: The largest part of a child care budget is staff. There are several ways to save on personnel:

1. Recruit volunteers to help with clerical and administrative work, thus saving the director's time and the cost of hiring an administrative assistant.
2. Recruit volunteers to provide assistance to teachers: to allow you, your teachers and teaching assistants to devote more attention to the children.
3. See below for information about the T.E.A.C.H and WAGESTM program.
4. Contact government agencies to learn about public dollars that pay the salary of those needing job training and apprenticeship experience in child care settings. Specific programs and contacts include the Job Training Partnerships Act agency representative at your local community college and high school, Summer Youth Program representative at the high school, the Vocational Rehabilitation Agency, Foster Grandparents Program, Jobs Program representative at your county Department of Social Services, Senior Employment Program or National Caucus for Black Aged at your Council on Aging, and Displaced Homemaker Program representative at your Council of Government office.

Be sure to ask the agency representative if salaries for these individuals will be provided and if some of the members of your own community that you may already know are eligible to receive pay under the program. Also, *be sure to screen all applicants to see if they are able to carry out these important child care responsibilities. Finally, be sure to offer the job training these people need and want if they are to become professional care givers.*

Donations: Gifts from friends, family and church members of toys, equipment, curtains, rugs, dress-up clothes, etc. will help save money. Local merchants may also donate furniture, carpet remnants, building supplies, or fences. In return, you can offer to tell parents about the merchants' generosity.

PLANNING RESOURCES

Several state and nonprofit agencies provide technical assistance on child care issues and/or business planning and management concerns. These services are generally available at little or no cost. Listed below is information about the services provided by the agency, where the agency is based, their service area, and how to reach them by phone to get more information.

NC Division of Child Development Child Care Consultants: State Child Care Consultants are employees of the NC Department of Human Resources Division of Child Development. They serve as liaisons between the state government and the local providers and are responsible for inspecting, licensing, monitoring, and supporting the child care facilities in their area. Consultants also provide technical assistance on child care regulations in workshops, seminars and classes. Each consultant has a specific geographic territory. To find the consultant for your area call: (919) 662-4499.

Resource and Referral Agencies: Resource and referral agencies (R&Rs) maintain up-to-date information about resources for starting and administering a child care program and can help assess the need for a new program. R&Rs also link parents to child care and work to improve the quality of child care in their service areas. Services provided by R&Rs include: maintenance of a database of child care programs, telephone child care referral, coordination of the food program for providers, training, and

planning for community child care needs. Call Child Care Aware at (800) 424-2246 to find contact information for the R&R in your county.

Smart Start: Smart Start programs use their funding to improve the quality of child care by providing training opportunities for child care providers and, in some counties, by awarding grants to child care centers and home day care facilities. Smart start funds also may also be used to subsidize the cost of care for poor families. Other services that may be offered include health care screening for children, transportation, and family resource centers. For additional information regarding Smart Start efforts in your county, contact the North Carolina Partnership for Children at (919) 821-7999.

Department of Social Services Child Care Coordinators: The states child care subsidy program is administered on the county level by Department of Social Services (DSS) child care coordinators. In addition to helping a child care center or home qualify to provide care to subsidized children, the coordinators can advise providers about child care training opportunities available and how to enroll in the Child and Adult Food Program. For more information, contact your local county DSS and ask for the day care services department.

North Carolina Cooperative Extension Service: The extension service is an information and educational resource that has offices in each county. They offer one-on-one counseling and training classes on topics useful to child care providers including budgeting, marketing, child development, curriculum development, discipline, and how to organize your space. For more information, call your local county Cooperative Extension office and ask to speak with their Human Development Specialist.

Community College Early Childhood Education Programs: Each community college has a Department of Early Childhood Education (ECE). Classes can be taken towards the Child Development Associate Credential or an Associate's Degree in Early Childhood Education. These programs are two ways in which a child care professional can meet the educational qualifications to be a child care teacher or program administrator. For more information, contact your local community college.

T.E.A.C.H. Early Childhood and the WAGES™ Programs: The T.E.A.C.H. (Teacher Education And Compensation Helps) Early Childhood Project provides scholarships to child care workers to complete course work in early childhood education. Participants receive scholarships to earn a North Carolina Child Care Credential, an Associate's Degree in Early Childhood Education or a Bachelor's Degree in Child Development or to become a Model/Mentor Teacher. WAGES™ is a program that offers education-based salary supplements. Both of these programs are administered by the Child Care Services Association located in Chapel Hill, NC. Call (919) 967-3272 for more information.

Small Business Counseling: Free business consulting services are sponsored by local community colleges, four-year colleges, and universities. One-on-one assistance is provided in writing business plans and proposals, as well as advice on marketing or budgeting plans. These programs also offer workshops and courses on important business management skills. Small Business Centers (SBCs) provide these services at the community colleges and Small Business and Technology Development Centers (SBTDCs) operate the programs through the university system. To locate the SBC in your area, contact your local community college or call (919) 733-7051 and ask for the Small Business Center Network. Call (800) 258-0862 to find the SBTDC near you.