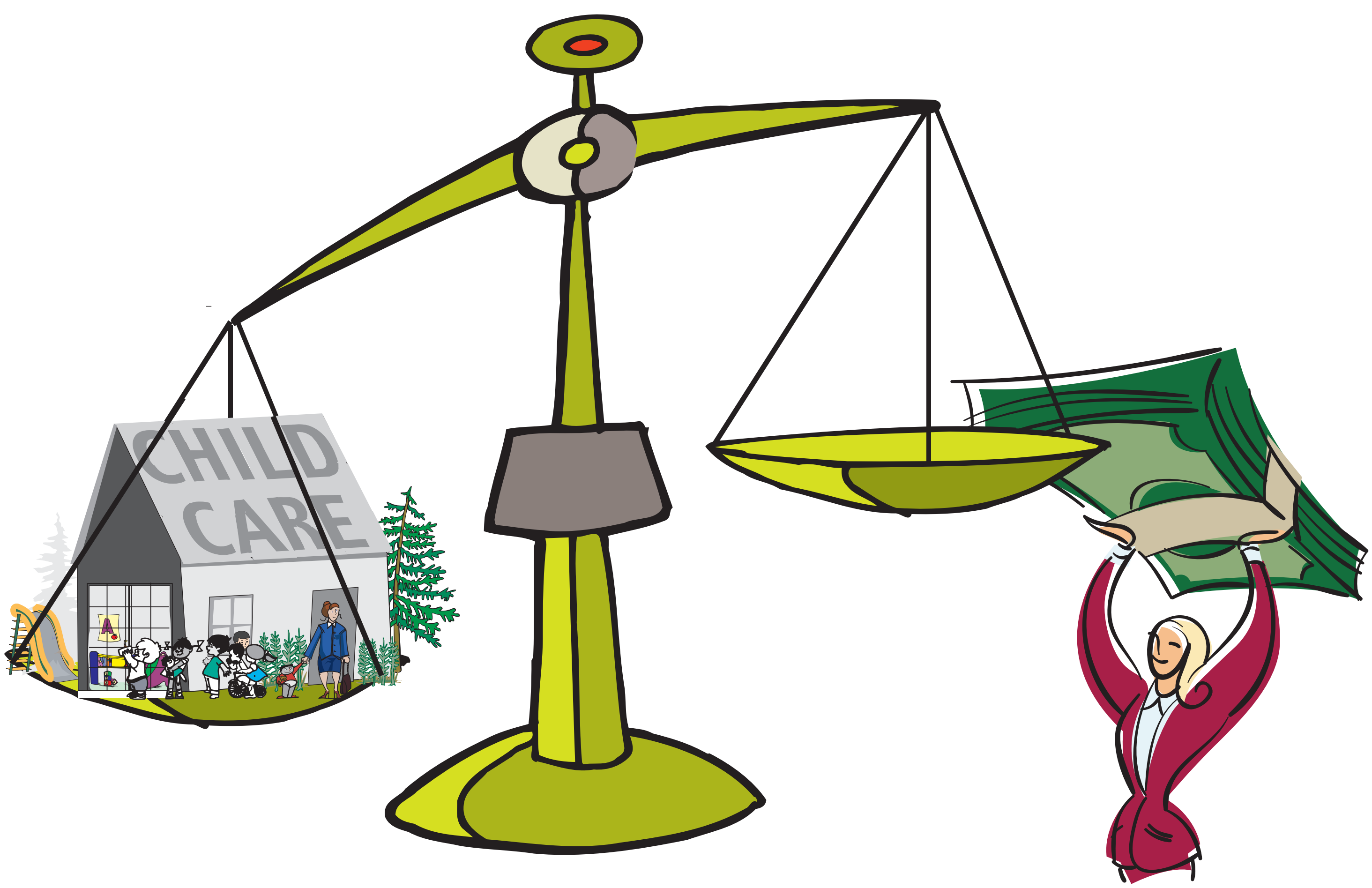
A Child Care, Inc.
Resource Paper

OPERATING BUDGETS for Child Care Centers



Part of a Series of Resource Papers on Developing Child Care and Early Education Services

Child Care, Inc., a Child Care Resource and Referral Agency, has prepared this series of Resource Papers as informational guides to assist agencies and individuals in providing high quality child care and early education services to children and families in New York City. Each Child Care, Inc. Resource Paper presents information and resources on one or more aspects of developing child care and early education programs.

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OPERATING BUDGETS

Developing Workable Budgets for a Child Care Center

This Child Care, Inc. Resource Paper focuses on developing budgets for start-up and ongoing operations of child care and early education centers in New York City.

What factors must be considered when developing start-up and operating budgets? Are your budget projections realistic with respect to both expenses and revenue? This Resource Guide provides guidelines for preparing budgets for both the start-up and ongoing operation of the proposed program. These suggestions will help to insure that your budget reflects your goals and the true costs of beginning and maintaining a quality child care program.

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OPERATING BUDGETS
for Child Care Centers:
Developing Workable Start-Up and Ongoing Budgets for a Child Care Center

A critical step in the process of starting a child care center is to develop both start-up and operating budgets for the prospective program. These budgets will enable the agency to determine the feasibility of the program and to make decisions on size, staffing and ages to be served. The budgets will also indicate the level of outside funding that will be needed to support the program. This Resource Paper will identify some assumptions that affect budgets for child care programs, outline a process for developing a start-up budget and provide budget formats and guidelines for ongoing operating budgets.

Factors Affecting Child Care Budgets in New York City

Each of the following factors affects the cost and quality of any child care program. Every one will need to be considered and decisions made before the budget can be drafted.

1 Licensing standards

The table below shows the minimum licensing requirements for staff in New York City. Each group of preschool children must have a certified teacher.[1] In cases where the number of children exceeds the staff:child ratio, an assistant teacher must be provided. It is always preferable to have at least two adults in each class.

CHILDREN'S AGES	STAFF:CHILD RATIO	MAXIMUM GROUP SIZE	MINIMUM No. OF STAFF PER GROUP
2 months - 12 months	4:1	8	2 for 5-8 children
12 months - 3 years	5:1	10	2 for 6-10 children
3 years - 4 years	10:1	15	2 for 11-15 children
4 years - 5 years	12:1	20	2 for 13-20 children
5 years - 6 years	15:1	25	2 for 16-25 children

[1] Currently the Department of Health will accept a teacher who has not completed certification if he/she is on an approved study plan to achieve certification "within a reasonable time."

2 Child Care Is Extremely Labor Intensive

Personnel costs will be the largest expense, frequently averaging at least 80% of total expenses. The following are salary levels for key positions in child care programs. These are average salaries based on the scale in publicly-funded child care programs in New York City as of March 2001. These tend to set the standard for salaries in New York City. Anything lower than these salaries will greatly intensify the difficulty of finding and retaining qualified staff.

SALARY RANGES[2]:
Based on NYC Publicly-funded Child Care Program

Director	$37,000-40,000
Head Teacher	$30,000-33,000[3]
Assistant Teacher	$20,000-23,000
Teacher Aides	$18,000-20,000
Bookkeeper	$24,000-30,000
Cook/Janitor	$19,000-24,000

3 The Basic Child Care Dilemma

Gwen Morgan (early childhood theoretician and practitioner) speaks of the day care "trilema" — balancing affordability, accessibility and quality. The challenge is to figure out how to run a quality program that parents can afford to use and that teachers can afford to work in. It is extremely difficult to balance paying adequate salaries and having enough staff, space and equipment to provide a quality program with what parents can afford to pay and the current levels of available funding.

4 Important Program Objectives

It is important to identify key program objectives before attempting to draw up a budget. Here are some questions to consider:

?1 What age group(s) do you want to serve? What is the greatest unmet need in the community? Can you obtain the resources to meet that need? Each age group presents particular challenges (e.g., infant care is the most expensive, school-age children may need transportation, etc.).

[2] It is likely that these salaries will make it difficult to attract experienced, qualified candidates, especially for the director's position.
[3] The market for certified early childhood teachers is extremely competitive. You may need to raise this to hire a qualified teacher.

?2 Do you want a particular curriculum or educational philosophy? Multi-cultural? Montessori? Bilingual? Child-centered? This will have implications for who will be hired as staff, what staff training will need to be built in and what kind of equipment and other materials will be needed.

?3 What kind of training and/or experience do you want the staff to have? If you want staff with extensive experience, you will probably need to budget higher salaries to attract the staff you want.

?4 Is your goal to hire individuals from the surrounding community as staff in the center? If so, and if people in the community do not have training in early childhood education, this will mean that extensive, ongoing staff training must be built into the program and the budget.

?5 Do you want to ensure a high level of individualized attention for each child? If this is important, it might mean that you will need to plan for a higher staff: child ratio in the center than the minimum required by the Health Code.

?6 What level of parent involvement do you want in the program? A commitment to parent involvement will mean budgeting staff time, space, and materials to make it happen.

?7 Will breakfast, lunch and/or snacks be provided, or will children bring bag lunches? Providing food at the program can ensure that the children receive nutritious food and that all children have equal access to adequate food. It is also more expensive than having children bring lunch. If the program serves low income children, CACFP (Child and Adult Care Food Program) could cover much of the cost. To access public dollars through the Administration for Children's Services for child care or Head Start or through the Board of Education for Universal PreKindergarten, a hot lunch will have to be provided.

?8 What hours will the program be open? A half-day program might meet the needs of children and families in which one or more adult is at home or is working or studying part-time. Full-day child care programs typically operate from 8:00a.m. to 6:00p.m. Many parents work nontraditional hours and may need a program that opens earlier and/or closes later. The number of hours a program is open has a direct effect on how many teachers are needed and for how many hours. This impacts greatly on the cost of the program.

Some Quick Budget Parameters

The following are three ways to make a quick estimate of cost and/or affordability as the budget is developed. Each provides some important parameters for making program and budget decisions.

a Cost per-child estimate:

You can estimate the cost per year per child by dividing the average annual salary of the teaching staff by the number of children to each staff member (i.e., the child: staff ratio) and multiplying by two.[4] For example, if the average salary of classroom staff is $20,000 (obtained by averaging the salaries of teachers, assistants, and aides) and the staff: child ratio is 8:1, divide $20,000 by eight (8 children per teacher) and double it to get an estimate of $5,000 per child per year.

b Ten percent rule:

Budget analysts have concluded that most families can afford no more than 10% of their gross income for child care for all of their children. Thus, a family making $25,000 with 2 children can afford no more than $2,500 per year for both children. For most families, if parents spend more than 10% of their income on child care, other essentials will have to be sacrificed. In reality, families with incomes below $25,000-$30,000 per year cannot afford as much as 10% of their income.

c Functional area cost analysis:[5]

One way of looking at costs is by functional area, i.e., the cost of staff and other expenses that contribute to providing that area of service. In the budget of a child care program, the amount spent on each of the areas listed below should fall within the range given. A marked deviation from these percentages may affect quality or make the program too expensive. For example, if a program spends more than 20% of its budget on occupancy costs, the amount spent on classroom staff may be insufficient. A program whose food program is funded by an outside source will have that much more to spend on staff and equipment for the classrooms.

Functional Areas	
Child care and teaching (teacher salaries, classroom equipment)	50% to 60%
Administration and supervision (administrative salaries, office supplies, phone)	12% to 20%
Food program (food, kitchen supplies, kitchen staff)	6% to 19%
Occupancy (rent/mortgage, maintenance, repairs, etc.)	10% to 20%
Other (health, transportation, social services, etc.)	5% to 20%

[4] Salaries of classroom staff are approximately half of the expenses of a child care program, while all salaries plus associated fringe benefits are approximately 80% of the expenses.

[5] Adapted from A Study in Child Care, 1970-71 as cited in Managing the Day Care Dollars. These percentages include both salaries and other costs related to each functional area. Total salary costs will include a portion of costs in each of these functional areas.

Budget Projections[6]

It is advisable for any center to prepare three budgets:

$1 A pre-opening budget for the period before children begin attending the program;

$2 A first-year budget for the first year of operation. During this period, there may be some capital expenses related to completing the site, and enrollment is likely to be less than full capacity;

$3 An ongoing budget for the second and subsequent years, when the center can expect to run at close to full capacity.

1 Pre-Opening Budget:

This budget has three major types of expenditures:

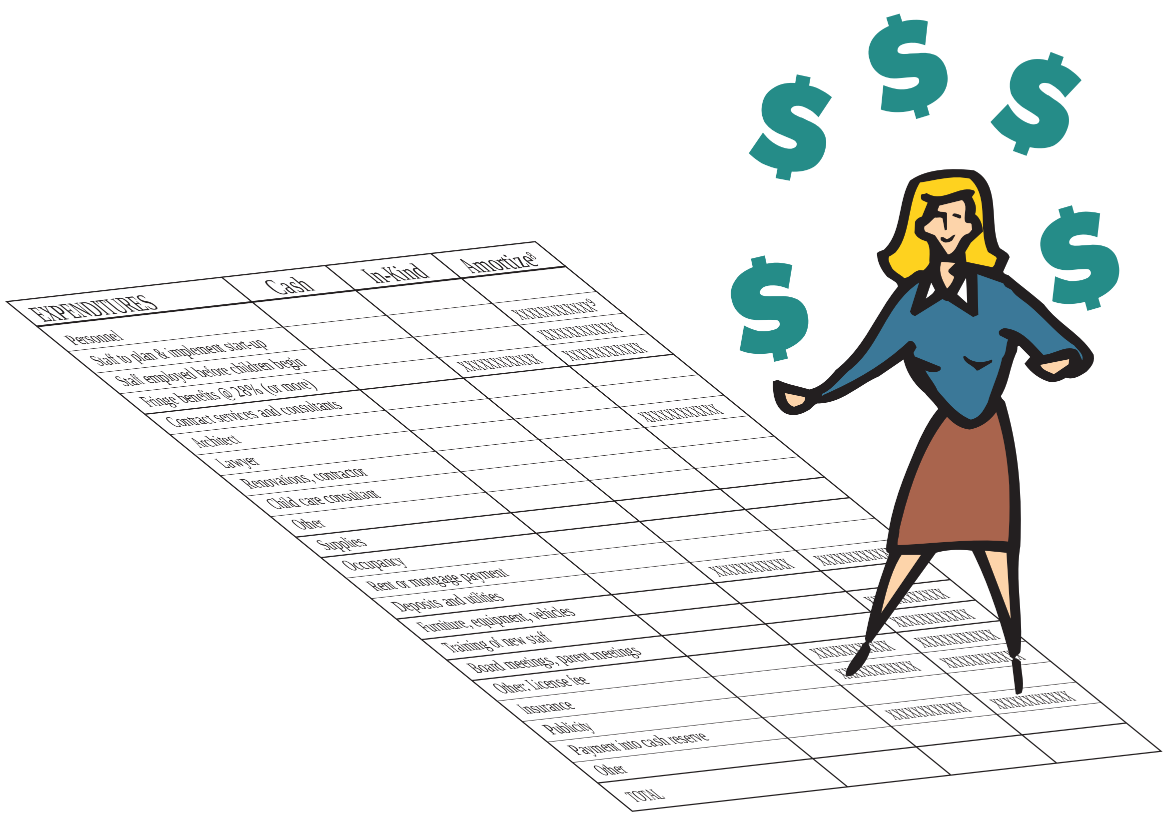
- Capital costs for acquiring and preparing the facility, including costs for buying, renovating or leasing the space. Renovation must include preparing the site to meet Health Code specifications for space and safety, including Building and Fire Department requirements. Whatever the total cost of acquiring and renovating the site, it is critical that the monthly cost of the facility (i.e., rent or mortgage plus debt service) be a reasonable portion of the center's ongoing operating budget. Rental or mortgage costs that have to be funded through the operating budget and that are in excess of 15% of the budget will be difficult to manage, while more than 20% makes it almost impossible for a program to sustain and still provide a quality child care program.
- Permanent equipment and initial supplies for classrooms, kitchen and office. A list of basic equipment needed is available from the NYC Health Department. Contact the Department of Health, Bureau of Day Care at 212-676-2444.[7]

[6] If the center will be fully funded by the Agency for Child Development, the start-up budget will be developed with the Agency and will be largely determined by the Agency's budget policies.

[7] There are also borough offices for Manhattan and the Bronx at 212-676-2414, Brooklyn and Staten Island at 718-302-0152, and Queens at 718-520-8548.

- Salary costs for staff to be hired before the center opens. In New York City, it can take from six to fifteen months to identify and renovate a site, to incorporate the board, to hire staff, to set up the program and to recruit children. Staff from the sponsoring agency and/or a committed volunteer planning committee can begin the process. However, the director or provider will need to be in place at least three months before the projected date of operation in order to recruit, hire, and orient staff, finalize the licensing process, recruit and enroll the children and complete other tasks related to getting the program operational. If at all possible, all staff should be on board at least one to two weeks before the center opens for orientation and training, to complete final preparations for the program and to set up the facility.

A sample pre-opening budget form follows on next page.



Pre-Opening Budget Form: Expenditures

EXPENDITURES	Cash	In-Kind	Amortize[8]
Personnel			
Staff to plan & implement start-up			XXXXXXXXXXXX[9]
Staff employed before children begin			XXXXXXXXXXXX
Fringe benefits @ 28% (or more)		XXXXXXXXXXXX	XXXXXXXXXXXX
Contract services and consultants			
Architect			
Lawyer			XXXXXXXXXXXX
Renovations, contractor			
Child care consultant			
Other			
Supplies			
Occupancy			
Rent or mortgage payment			
Deposits and utilities		XXXXXXXXXXXX	XXXXXXXXXXXX
Furniture, equipment, vehicles			
Training of new staff			XXXXXXXXXXXX
Board meetings, parent meetings			XXXXXXXXXXXX
Other: License fee		XXXXXXXXXXXX	XXXXXXXXXXXX
Insurance		XXXXXXXXXXXX	XXXXXXXXXXXX
Publicity			
Payment into cash reserve		XXXXXXXXXXXX	XXXXXXXXXXXX
Other			
TOTAL			

8 "Amortize": Items listed in this column are one-time costs for a large capital outlay or other debt that will be paid off gradually. The dollar figure shown should be the amount to be paid during the current period.

9 "XXXX" in the "In-Kind" column indicates that in-kind revenue cannot be used for this item. "XXXX" in the "Amortize" column indicates that these items cannot be amortized and must be paid at the time they are incurred.

Pre-Opening Budget Form: Income

INCOME	Source	Amount
Direct Income	NYS/OCFS (Office of Children and Family Services) Start-up Funds	
	NYS Child Care Facilities Development Grants	
	NYC Child Care Facilities Grants	
	Other government grants	
	Foundation grants and contributions	
	Corporate grants and contributions	
	Fund-raising events	
	Other	
Loans*	Bank loan	
	Intermediary loan	
	Government loan	
TOTAL INCOME		

* If loans are used, the financing costs must be included in the operating budget for the period until the loan is repaid.

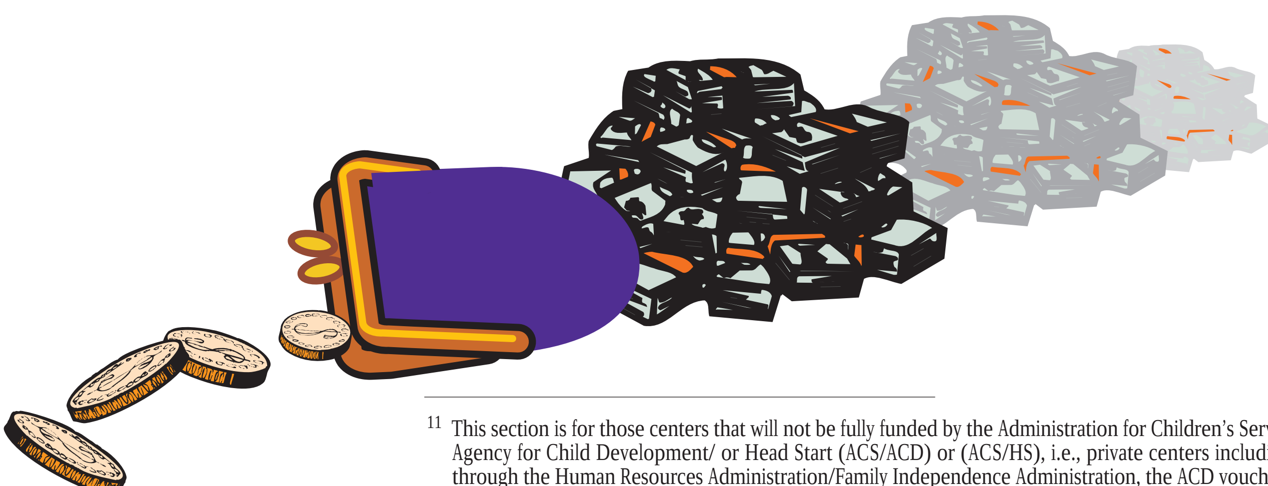
2 First-Year Budget[11]

The first-year budget is similar to the operating budget (see description of the operating budget below) with adjustments made because the center is unlikely to be fully enrolled immediately. If the center is to open all classrooms at the same time, most expenses will be the same as the regular operating budget. Depending on the level of pre-opening registration, it may be possible to begin with two instead of three teachers in some groups. The cost of some supplies, including food, may be somewhat less for the first months, but this will not make an appreciable difference in the total expenses.

It is likely that the center will operate at 50% to 60% of capacity for the first six months to a year. Many parents prefer to see a program in operation before making the decision to enroll their child. Often the classrooms for the youngest children fill first and provide the student base for future years. If the program will be fully funded by the ACD, they will work out a plan with the organization to phase in funding, children and staff. For other programs, additional funds or financing may be needed for this period. Some programs open with a skeleton staff and hire additional staff members as children are enrolled. If such a system is used, it will be important to give thought to how staff will be oriented and integrated into the program as they come on board.

3 Full Enrollment Budget:

The operating budget described on the following pages:



[11] This section is for those centers that will not be fully funded by the Administration for Children's Services (ACS) either through its Agency for Child Development/ or Head Start (ACS/ACD) or (ACS/HS), i.e., private centers including those receiving subsidies through the Human Resources Administration/Family Independence Administration, the ACD voucher or LPOS programs or from the Board Of Education for Universal PreK.

If the center is to be fully funded by the ACS, the budget will be determined by the Agency's mandated staffing pattern, salary scale and other budget policies. Generally the budget will be prepared by ACS/ACD or ACS/HS staff based on Agency protocols and information from the program on specific variables (such as rent, longevity of staff, etc.).

Operating budget

The operating budget defines the center's program. What you spend money on and where you get funds to support the program will determine what kind of a program you provide and for whom. The sections below identify the categories of income and expenditures likely for a child care program. A sample budget worksheet is attached that can be used for developing a draft budget. Income and expense categories are defined below and some guidelines given for estimating what each amount will be. If at all possible, look at budgets from other centers in your neighborhood: their experiences will give you additional help.

1. Income

   a) TYPES OF INCOME: child care programs may have any of several sources of income. The most common are:

      i. Parent fees: Fees paid by parents of children in the program. Parent fees in group programs in New York City at this time range from $125 to $300 per week for infants and toddlers, and from $90 to $220 for preschoolers, depending on the community and the population served. At the same time, the NYS OCFS has determined the "market rate"[12] to be $267 per week for children up to 28 months of age, $255 for children from 18 months through three years of age and $180 for children three to five years old.

   In setting the fees for a particular program, the following additional factors must be taken into consideration:

- Actual cost per child
- Amount that parents in the community can pay
- Fees charged in nearby programs
- Amount available from other sources (e.g., USDA or grants)
- Cost of care in each component[13]

[12] The market rate is the maximum level of payment that New York State will reimburse a provider for care of a child eligible for subsidy. The rates listed are as of October 1, 2001. The market rate is set at the 75th percentile of reported fees charged by programs in each locality. It does not necessarily reflect the cost of providing a quality service. (Adapted from *A Child Care Primer*. Page 24 - Child Care, Inc.).

[13] The cost varies with the age of the children, primarily because the staff/teacher ratio requirements are different for each age group. Infants and toddlers cost the most, school age children the least. Centers can either charge parents or other funders the actual cost in each program (because that is what it costs for the service they are receiving) or average the cost and charge the same to all families (because the cost of care in the youngest group would be too much for most families and children will grow into each group), or combine the two (i.e., charge somewhat more than the cost for older children and somewhat less for the youngest so no one has to carry the whole burden of the higher cost for the younger children but the families of older children don't have to pay so much more than the actual cost of the service they are receiving).

Center policies and philosophy *(see box)*

Some policies that will impact on fee-income and cash flow are:

- Absence policy: Do families pay all or part of the fee for days their child does not attend because of illness or vacation? (The cost of running the center does not decrease because one or two children are not there).
- Sibling/employee policy: Is there a discount for siblings of children enrolled or children of staff? (The cost of caring for children does not decrease because their parents work in the center or siblings attends the program.)
- Fee collection policies: Does the center require a "contract" with each family? (Strongly recommended, like a lease the contract spells out what the fees are, when they are due, and other critical policies); When are fees due? (In advance); How long can a child attend without the fee being paid? (Not at all unless a special arrangement has been made in advance); Is a deposit required? (Yes, equivalent to two-four weeks of fees; the deposit can be applied to the last month of the contract or refunded when a child leaves if proper notice has been given).
- Part-time fee policy: For some families, part-day or part-week care may make the most sense, especially for very young children whose parents are not working or studying full-time. What portion of full-time fees will be charged for these children? (Generally, fees for part-time care need to be higher per day/hour since some costs remain the same no matter how long the child attends, and it is almost impossible to match every part-time child with another to fully utilize the program).

Utilization rate, i.e., the program's rate for actual usage (enrollment, attendance, and fee collection) in relationship to capacity.[14]

ii. Child care subsidies:[15] payments by ACD or HRA/FIA for care of eligible children. If the program is to serve low income children, there must be subsidies unless much of the cost of the program will be underwritten by the host agency or another source.

iii. CACFP subsidies:[16] payments by the USDA for food and food preparation for children in the program under the CACFP program.

iv. Employee subsidies:[17] reimbursement for a portion of salary expenses for newly employed former public assistance recipients through the Grant Diversion Program (Formerly TEAP).

14. Many programs calculate fee income by multiplying the fee charged by the capacity of the program (i.e., the number of children the center is licensed for). This will almost always overestimate income. No program is ever fully enrolled every day of the year, nor do you receive full payment for every child enrolled (whether as a result of non-payment of fees, bounced checks, dropouts, etc.).

During the first year of operation a program is unlikely to run at much above 60% utilization. Therefore, in projecting first year income, use a utilization rate of between 60% and 80%. Once a program has been operational for a period of time, the utilization rate can be calculated by dividing the actual fee earnings by the maximum potential earnings (i.e., licensed capacity x annual fee). A well managed, established center may run as high as 95% utilization, but no program runs at 100%. After the first year, use the actual utilization rate to project income for the following years.

15, 16, 17. See *Child Care, Inc. Resource Paper: Operating Funds for Child Care Centers*

v. Grants: Contributions by foundations, corporations, or individuals.

vi. Fundraising: Funds raised through activities of parents and/or board of the center (e.g., raffles, bake sales, concerts, direct mail appeals, etc.).

b) CALCULATING AMOUNT OF INCOME: use the following guidelines to estimate the amount that will be generated by each type of income.

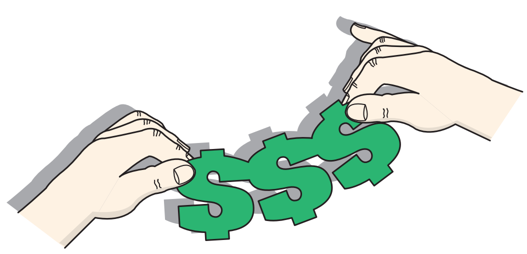
i. Parent fees: The following multiplication formula can be used to project the amount of fee income:

weekly fee
X 50 weeks
X licensed capacity
X utilization rate
= Fee Income

Because the group size for each age group is different, it is best to do this by age group, i.e., after calculating the utilization rate for each age group, determine the expected income for the three-year-old groups, the four-year-old groups, etc. and total (unless the program has implemented mixed age groups).

ii. Child care subsidies: Total revenue can be figured using the same formula as for parents' fees, i.e.:

weekly fee
X 50 weeks
X licensed capacity
X utilization rate
= HRA-FIA/ACD subsidies



Both HRA-FIA and ACD reimburse centers based on their actual cost of care, up to the following maximums:[18]

FULL-TIME CARE (25 or more hours per week)	$267 for children up to 18 months $255 for children from 1 1/2 to 2 years $180 for children 3 to 5 years $177 for children 5 to 13 years[19]
PART-TIME CARE (under 25 hours per week)	$225 for children up to 18 months $215 for children from 1 1/2 to 2 years $150 for children 3 to 5 years $145 for children 5 to 13 years

iii. Universal PreKindergarten: Total revenue can be estimated by multiplying the number of children in the contract by the contracted amount ($2,000 to $3,000) per child for 180 days per school year. The program contracts with its local Board of Education and must meet the Board's programmatic standards.

iv. CACFP subsidies: Amount of reimbursement depends on the income range of families in the program (which will determine the per-meal rate) and the number of meals served. Once the contract with USDA is signed and the center's reimbursement rates determined, the expected reimbursement can be estimated by the following multiplication formula:

daily rate for meals served each day[20]
X number of days meals are served
X number of children having meals
X utilization rate
= Total reimbursement

18. These rates are adjusted periodically and are based on market rates in New York City as determined by the NYS/OCFS. These are the maximums as of October 2001.

19. For full-time care during school holidays and vacations.

20. For the 2000-2001 fiscal year, the rates are:

	Breakfast	Lunch/Supper	Snack
Free	$1.12	$2.02	$0.55
Reduced	$0.82	$1.62	$0.27
Paid	$0.21	$0.19	$0.05

v. Grants: Total all grants that have actually been awarded. Be sure to pay attention to any time or use-restrictions on the grants.

vi. Fundraising: Only include income that is assured.

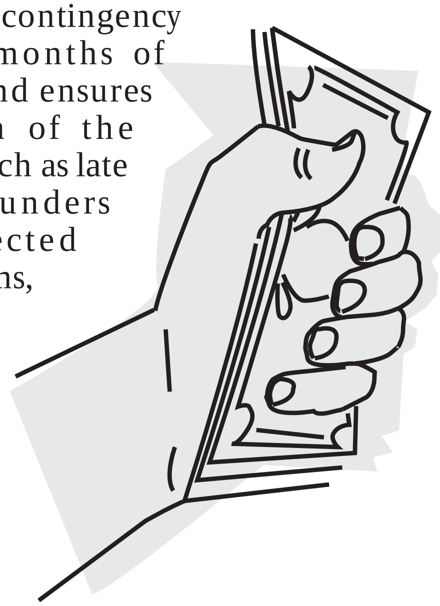
2. Expenditures

a) Overview:

It is important to start with what you want, rather than with what you think you can afford! Identify what will be needed to produce the kind of quality program you want. Then identify what resources will be needed to achieve that program: consider all possible resources, not just money—for example, collaborations with other agencies, use of interns or volunteers, exchange of services, etc.

Most child care programs will have similar expense categories. These are outlined on the attached worksheet. As with any budget, you will need to estimate the cost of each type of expenditure. Use the agency's experience with other programs, the experiences of other child care programs in the area (if possible look at the budgets of other centers in area), allow for inflation, and estimate on the high side (some people recommend adding 10% to every expense except those that are fixed).

Each program should have a contingency fund equivalent to two months of operating expenses. This fund ensures the continued operation of the program despite problems such as late receipt of payments by funders and/or parents, unexpected equipment or facility problems, under-enrollment, loss of expected revenue and/or unexpected expenses.[21]



[21]. We have not included a contingency fund in these budget forms because most funding agencies do not include such funds as allowable expense. Nevertheless, it is essential that the sponsor raise money to create such a fund.

b) Line-by-line expense projection:

i. Personnel: Salaries and fringe benefits for the staff of the program. The staff positions outlined below will be required in most centers.

Salaries:

- Administrative staff, including Director, Assistant Director, Bookkeeper, and Secretary/Receptionist. (see box below)

No. of Children No. of Groups	Director	Assistant Director	Bookkeeper/ Office Assistant
7 to 39 children 2 Groups	Teacher-Director	—	0.5 FTE (Full-Time Equivalent)
35 to 60 children 3 Groups	1 Director	—	0.5 - 1 FTE
50 to 75 children 4 Groups	1 Director	—	0.5 - 1.5 FTE
65 to 100 children 5 Groups	1 Director	0.5 FTE	1 - 1.5 FTE
75 to 120 children 6 Groups	1 Director	1.0 FTE	1.5 - 2 FTE

- Classroom staff, including a teacher, assistant teacher and full or part-time teacher aide for each classroom.
- Social service staff, including family/parent workers, social worker, health worker and/or others.
- Kitchen and maintenance staff, full or part-time cooks and cleaning staff.[23]
- Substitutes, enough to provide coverage during sick and vacation leave of regular staff.

Cost Estimate: Determine the staffing pattern for the center, based on the number/ages of children to be served and the center's philosophy, including decisions about staff: child ratios. Using the budget worksheet, enter the salary for each staff line times the number of staff in that line. For substitutes estimate about 25 days for each staff person.

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23. A part-time cook (20-25 hours per week) is probably sufficient for a two- or three-classroom center if the kitchen is adequate. For a larger program more hours will be needed and for a very large center an additional part-time helper may be needed.

A part-time custodian (20-25 hours per week) is probably sufficient for a two- or three-classroom center. For a larger center more hours will be needed, 25-30 hours for four classrooms and full-time for five or more classrooms. A center with more than one floor or site will usually need additional staff.

Fringe benefits:

- Mandated benefits, including FICA (social security), disability and workmen's compensation, unemployment insurance.
- Other benefits, such as health insurance, pension, etc.

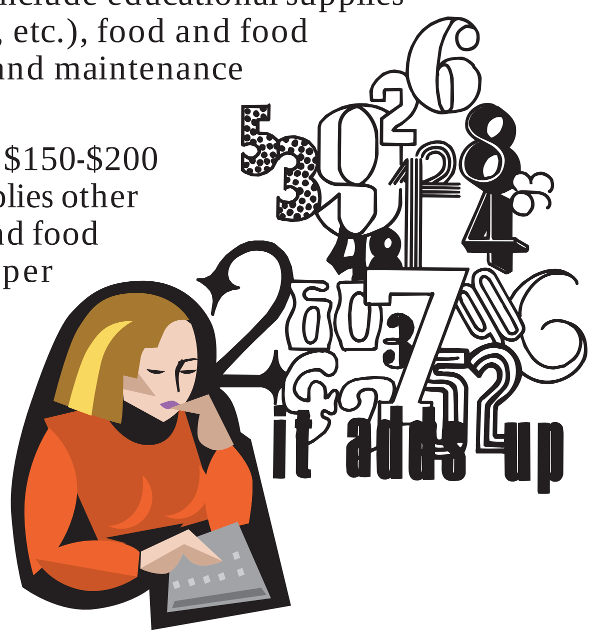
Cost Estimate: Mandated fringes will be about 10-12% of the salary cost. If the other benefits will be part of the plan for all personnel of the sponsoring agency, use information on those costs to estimate the cost for the day care center staff. If not, 25-30% of salaries will probably cover mandated fringes plus basic health insurance.

ii. Occupancy Costs: Include rent, mortgage, or finance payments; utilities; building insurance; and repairs.

Cost Estimate: Use actual costs of the building (i.e., lease or mortgage); estimate costs for utilities, insurance and other costs based on experience in other buildings the agency owns/manages/rents.

iii. Supplies (consumables): Include educational supplies (toys, books, art supplies, etc.), food and food supplies, office supplies, and maintenance supplies.

Cost Estimate: Estimate $150-$200 per child per year for supplies other than food. Figure food and food supplies at about $800 per child per year.[24]



[24.] We have not included a contingency fund in these budget forms because most funding agencies do not include such funds as allowable expense. Nevertheless, it is essential that the sponsor raises money to create such a fund.

[25] Figured at $ 3.20 per day for breakfast, lunch and snack for 250 operating days per year.

iv. Equipment (sometimes referred to as permanent equipment, because it is expected to last several years): Include classroom equipment (tables, chairs, blocks, cots), playground equipment (riding toys, mats, hollow blocks), kitchen equipment (pots, dishes, appliances), office equipment (typewriter/computer, duplicating machine, desk, filing cabinets), and other equipment. Programs estimate between $50 and $100 per child per year to replenish and upgrade permanent equipment.

Cost Estimate: Identify what equipment needs to be purchased during the year, estimate the cost of that equipment, and add at least 20% (to cover the things that you can't project in advance). This is for ongoing equipment expenses and is separate from the initial purchase of equipment for the center that was included in the start-up budget.

v. Administration: Include telephone, postage, printing, audit and accident insurance.

Cost Estimate: Use the experience in the agency as a whole and/or other programs run by the agency to estimate costs for phone, postage, duplicating, etc.

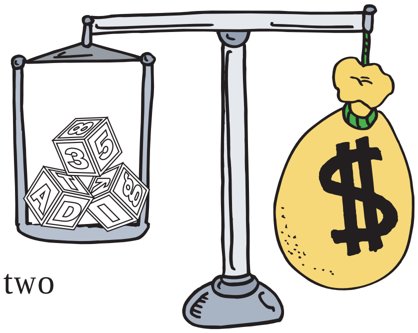
vi. Staff Development: Include workshop and/or tuition fees, substitutes (to allow staff to attend training) and staff library.

Cost Estimate: Estimate the amount per staff member it will take to implement the kind of staff development program you envision. Consider resources in addition to money. For example, can the center be closed periodically for staff development activities without undue hardship to parents? If so, substitutes will not be needed to enable staff to attend those training sessions.

vii. Other Expenses: Include social services, consultants, health program (immunizations, vision/hearing screening, dental care), parent program (child care for meetings, refreshments, library, toy lending library, etc.), and children's trips.

Cost Estimate: Estimate the amount of funds required to implement the programs you have decided to provide. Consider resources other than money that can be used to accomplish these goals. For example, does the agency already have a bus that can be available for children's trips or are subway passes available for some trips? Can arrangements be made for health screenings at a local clinic or by a volunteer doctor or nurse practitioner?

3. Making It Balance

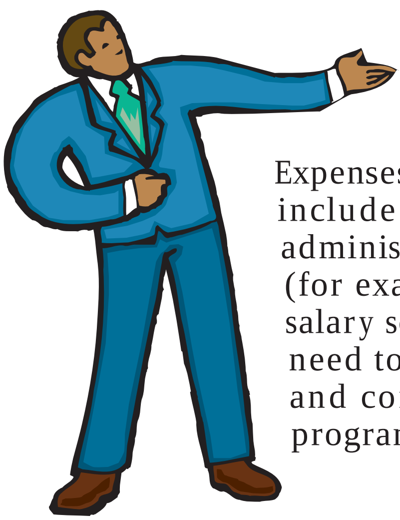


It is likely that when the expenses and income are totaled, the expenditure total will be greater than the income. At this point decisions will need to be made based on your answers to these two questions:

?1 What are your priorities: what do you really care about and what are you unwilling to compromise on?

?2 Which items in the budget, both income and expense, can be changed?

The "Break-Even Formula" is a helpful tool for making budget decisions that cannot be avoided:



$$E \text{ (Expenses)} \leq I \text{ (Income)}$$

Expenses include both items you cannot change (these may include rent or mortgage payments, basic utilities and administrative overhead) and others that can be changed (for example the cost of salaries will change if either the salary scale or the staff: child ratio is changed). You will need to look at each of the expenses that are changeable and consider the impact of such a change on both the program and the budget balance.

Sal (Total salaries)
\+ FB (Fringe Benefits)
\+ Oc (Occupancy)
\+ S (Supplies)
\+ E (Equipment)
\+ A (Administration)
\+ O (Other)

= EXPENDITURES

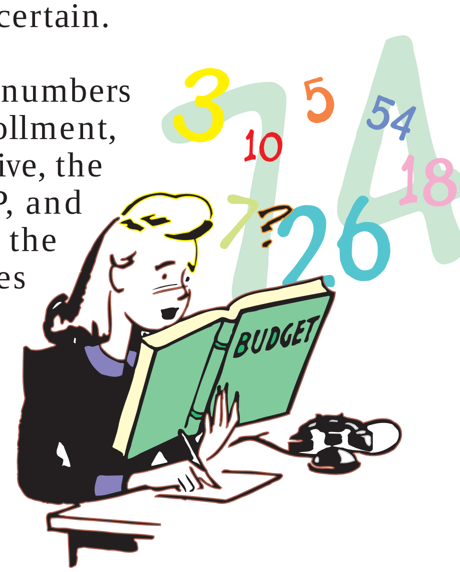
Income can be expressed using the following formula, which enables you to consider the impact of a change in any variable on the total and therefore on the budget balance:

P x PE (Parent fees x Projected Enrollment)
\+ SR x PE (Subsidy Rate x Projected Enrollment)
\+ UPK (UPreK contract)
\+ CACFP (USDA/CACFP subsidy)
\+ O (Other income)

= INCOME

In this formula "Projected enrollment" means the number of children enrolled (never more than the licensed capacity) in a particular program times the utilization rate for that program.[26] If fees are different for different age groups, a calculation will have to be done for each group and then summed. Similarly if children are subsidized at different rates by different funders, calculations will need to be done for each subsidy group. "Other income" would include secured grants, fundraising and any other sources of income. Do not include any funds that are not certain.

By putting into the formula the numbers that are set (the projected enrollment, the subsidy rate[s] you will receive, the amount expected from CACFP, and other income), you can analyze the effect of changes in the fees charged on the total budget.



[26] See page 11 and footnote 14 for a discussion of utilization rates.

Budget Worksheet — Expenditures, Page 1

EXPENDITURES	PROGRAM A (e.g., Infant/Toddler)	PROGRAM B (e.g., Preschool)	PROGRAM C (e.g., School Age)	TOTAL
PERSONNEL: SALARIES				
ADMINISTRATIVE				
Director				
Bookkeeper/Office Assistant				
Secretary/Office Assistant				
Administrative Salaries				
CLASSROOM				
Head Teachers				
Assistant Teachers				
Teacher Aides				
Interns/Volunteers				
Substitutes				
Classroom Salaries				
DOMESTIC/MAINTENANCE				
Cook				
Assistant Cook				
Janitor				
Domestic Salaries				
TOTAL SALARIES				
FRINGE BENEFITS				
FICA				
Disability and Workers' Comp				
Unemployment Insurance				
Health Insurance				
Pension				
Other				
TOTAL FRINGES				
TOTAL PERSONNEL				

Budget Worksheet — Expenditures, Page 2

EXPENDITURES	PROGRAM A (e.g., Infant/Toddler)	PROGRAM B (e.g., Preschool)	PROGRAM C (e.g., School Age)	TOTAL
OTHER THAN PERSONNEL SERVICES				
OCCUPANCY				
Rent or Mortgage				
Utilities				
Maintenance/Repairs				
Insurance (Liability, Fire,Theft)				
Other				
TOTAL OCCUPANCY				
SUPPLIES				
Classroom Supplies				
Office Supplies				
Maintenance Supplies				
Food and Kitchen Supplies				
Other				
TOTAL SUPPLIES				
EQUIPMENT				
Teaching and Child Care Equipment				
Office Equipment				
Kitchen Equipment				
Other				
TOTAL EQUIPMENT				
ADMINISTRATION				
Telephone/Internet Access				
Postage/Courier				
Duplication/Copying				
Other				
TOTAL ADMINISTRATION				
OTHER				
Staff Development				
Parent Programs and Social Services				
Other				
TOTAL OTHER				
TOTAL OTPS				
TOTAL EXPENDITURES				

Budget Worksheet — Income

INCOME	PROGRAM A (e.g., Infant/Toddler)	PROGRAM B (e.g., Preschool)	PROGRAM C (e.g., School Age)	TOTAL
PARENT FEES				
Infant (Capacity x Fee x Utilization Rate)				
Preschool (Capacity x Fee x Utilization Rate)				
School-Age (Capacity x Fee x Utilization Rate)				
TOTAL FEES				
ACD CONTRACT				
Infant (Capacity x Rate x Utilization Rate)				
Preschool (Capacity x Rate x Utilization Rate)				
School-Age (Capacity x Rate x Utilization Rate)				
TOTAL ACD CONTRACT				
ACD or HRA VOUCHERS				
Infant (Capacity x Rate x Utilization Rate)				
Preschool (Capacity x Rate x Utilization Rate)				
School-Age (Capacity x Rate x Utilization Rate)				
TOTAL VOUCHERS				
OTHER REVENUE				
USDA/CACFP				
Other Revenue				
TOTAL OTHER REVENUE				
GRANTS AND FUNDRAISING EVENTS Foundation Grants /Corporate Grants				
TOTAL GRANTS AND FUNDRAISING EVENTS				
TOTAL INCOME				

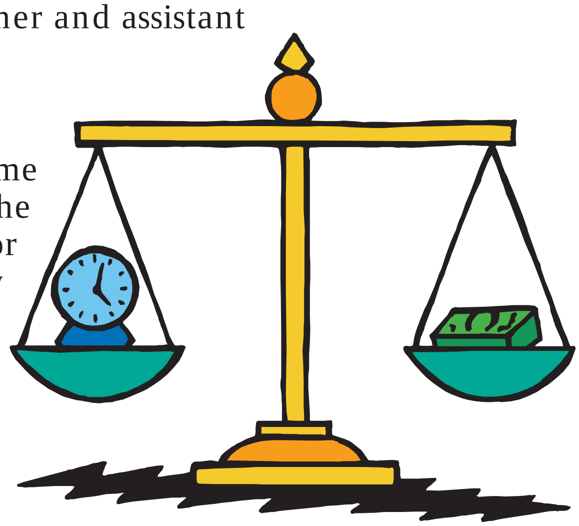
4. Factors to Consider in Developing Your Budget

The following list outlines factors that impact on child care budgets. In developing your budgets, these factors all need to be taken into consideration.

- Number of groups: Child care programs can be as small as one classroom with 10-20 children and as large as 10 or more classrooms serving 200 or more children. The decision about the size of the center will depend on the space available, the philosophy of the program and the economic feasibility of operating the center. There are some basic costs for all centers no matter the size of the program (e.g., administration, bookkeeping, staff training, maintenance of the facility, etc.). The larger the program, the more children the overhead costs can be divided among, and therefore the smaller the per-child cost. It is difficult to make a very small center financially viable (fewer than three to four classes) if these costs will not be in-kind donations. A very large center also has some disadvantages because it is difficult to maintain a close connection among the children, families and staff if the center is larger than 100 to 150 children.[27]

- Hours: The typical child care day is from 8a.m. to 6p.m. These are the most common hours for programs that serve working parents. Many families need "nontraditional hours" because they work evenings, weekends or nights, and some programs are now providing these additional hours of care. Operating a program for longer or shorter hours greatly impacts on the budget. The major impact would be in the number and/or hours of classroom staff. For example, programs open from 6a.m. to 7p.m. (to serve hospital or factory workers), would need additional staff in each classroom and preferably an increase in office and kitchen staff time. Programs operating during the school day, i.e., 8:30a.m. to 3:00p.m., need less staff, perhaps only a head teacher and assistant for each class.

- Full-time/part-time: Programs providing part-time care will need to consider the staffing pattern required for the hours children actually attend and how that affects the salary costs of the program and the fees to parents.



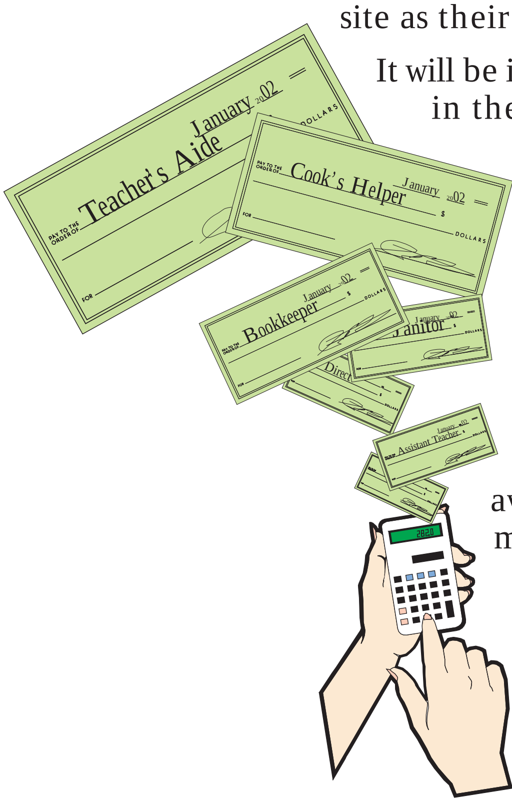
[27] Some programs maintain the feeling of a small center by dividing the program into smaller units that operate somewhat separately, somewhat like the mini-schools that many large high schools are being divided into.

Ages to be served: There is need for child care for all ages of young children. The cost of providing care for children of different ages is very different. The cost of care for infants and toddlers is high because these young children require a high staff: child ratio (at least 4:1 for children up to 12 months and 5:1 for children from one to three years of age). The market rate for this care is 50% more than for preschool care. The demand for infant/toddler care is also very high because there is not enough care available. However, many parents cannot afford the cost of care and subsidies are not available for many families that need them.

The cost of care for preschoolers (ages three to five) is somewhat lower because the ratios for this age group are 10:1 or 12:1. This is also the care that is most available and the age at which many parents choose to move their children into more formal, center-based care. For many families, care is still not affordable and subsidies are only available for a small percentage of those needing them.

The cost of care for school age programs (i.e., programs serving elementary school children before and after school and/or on school holidays and vacations) is the lowest due to the fact that it is part-time. There are also particular challenges for this type of care, including difficulty in recruiting and retaining part-time staff, transportation of children if the program is not located in the same site as their school, often having to share space, etc.

It will be important to carefully assess the need and resources in the community to determine the ages and numbers of children to serve.



Salary scale: The personnel costs in an early childhood program are usually about 70-90% of the budget. The salary range for staff in early childhood programs in New York City is wide. Page 2 shows the salary range for staff in ACD funded programs. Some programs pay staff less, others more. However, offering salaries lower than these averages will make recruiting and retaining staff much more difficult.

Staffing pattern: The staffing pattern and the salary scale determine the amount to be spent on salaries, the largest item in any child care budget. Although a similar set of tasks will need to be completed in each program, there are a variety of ways to get those tasks accomplished. Each method, or staffing pattern, will have somewhat differing costs to the program as well as impacts on the quality of the program.

Classroom staff: Many early childhood programs are staffed with two full-time and one part-time staff in each class. We feel that three full-time staff (or the equivalent) are needed in each group that is open more than eight hours. Although it is more staff than licensing regulations require, we feel this is necessary for a high-quality program. In order to make the cost more affordable to parents and funders, many programs supplement paid staff with college work-study students, parent volunteers, student-teachers and/or interns, or other resources at little or no cost to the program.

Non-classroom staff: In addition to classroom staff, child care centers need non-classroom staff, such as a director and assistant director, cook, janitor, and bookkeeper/office assistant. The ACD staffing pattern is shown below:

	3 GROUPS/ 55 CHILDREN	4 GROUPS/ 75 CHILDREN	5 GROUPS/ 90 CHILDREN
Director	1 Full Time	1 Full Time	1 Full Time
Bookkeeper	1 Full Time	1 Full Time	1 Full Time
Assist. Bookkeeper	10 hours	10 hours	10 hours
Teacher	3 Full Time	4 Full Time	5 Full Time
Assistant Teacher	3 Full Time	4 Full Time	5 Full Time
Teacher Aide	3 @ 20 hours	4 @ 20 hours	5 @ 20 hours
Cook and Helper	2 Full Time	2 Full Time + 25 hours	3 Full Time
Janitor	32 hours	1 Full Time	1 Full Time + 5 hours

Many private programs have fewer maintenance and kitchen staff than is reflected here. In some community-based programs, parents, teachers and directors, and/or community volunteers do some of the maintenance, administrative or kitchen tasks which otherwise would have to be done by additional paid staff. Some programs use a bookkeeping or payroll service rather than employing a bookkeeper. In others, the bookkeeping staff of the sponsoring agency does the books for the child care program. In some, the maintenance staff of the sponsoring agency provides cleaning and repairs to the child care center at little or no cost.

Closing Thoughts

As you develop your budget, it is critical to keep in mind your priorities: What do you truly care about? What can you never sacrifice to balance your budget? Why are you running this program?

There will be many hard decisions to make. Your mission and long-range goals will guide you in making these difficult choices. Your answers to these questions will determine the type of program you establish.