

## **Preparing a Budget for a Child Care Business**

Preparing a budget gives you a picture of whether your projected income will meet your expected expenses. The following resources can help you prepare a budget for a child care business:

- [Center Cash Flow Projection Worksheet](#)  
This worksheet helps you project how much cash you expect to come into your business compared to how much cash you expect to go out of the business.  
By First Children's Finance
- [Sources and Uses Worksheet: Child Care Center](#)  
This worksheet helps child care centers identify possible sources for funds and the planned uses for specific funds.  
By First Children's Finance

## **Funding Opportunities: Grants and Loans**

When preparing a budget for a child care business, you must know how much money you need and how you'll earn or acquire money to cover those costs. Your business plan will help you define how much money you need to start your business. You can then apply for grants and loans to help you get started. The government, commercial banks and credit unions are common sources of loans. Loans require you to pay interest on the amount borrowed. In most situations, you are asked to show you have additional sources of money to back up the loan request. Grants are given without an expectation of repayment. Loans are more common than grants for start-up funding.

Some local businesses offer financial incentives to child care businesses as a strategy to support employee retention by making child care more readily available.

## **Federal agencies that have information about grants and loans**

- [Grants.gov](#) has information about more than 1,000 federal grant programs involving 26 federal grant-making agencies. Information on the site can guide you through the process of applying for federal funds.
- [GovLoans.gov](#) has government loan information.
- [U.S. Small Business Administration \(SBA\)](#) offers a wide variety of information on loans, grants and other funding opportunities for small businesses.

## **The most common federal sources of funding that help child care programs**

- [The Child and Adult Care Food Program](#) (CACFP) is a food cost reimbursement program. Guidelines for how to enroll in this program are on the Web.

- [Child Care and Development Block Grant](#) (CCDBG) is a federally funded grant to states to support child care subsidies. Many states offer providers funding assistance through CCDBG. A listing of state agencies is on the Office of Child Care website.

### **Nonprofit organizations that have information about loans and grants**

The following is a sample of the many organizations that can help you with information about loans and grants.

- [Foundation Grants to Individuals Online](#) is a nonprofit service organization that offers an online listing of grants to individuals in the United States.
- [First Children's Finance](#) (FCF) provides financing tools and resources for making a business plan to child care centers and family child care providers. It provides loans to new child care centers and family child care providers in selected areas. It also supports expansion, quality improvements and operations of existing programs.

### **Grant writing resource**

For information on grant-writing, see [Tips for Writing Grant Proposals](#) from the Division of Grants, U.S. Department of Health and Human Services.

### **Taxes**

As a small business, you will be responsible for filing business income tax information with local, state and federal agencies and for paying various other taxes that may be required. Taxes should be a part of any budget for a child care business.

Your state revenue department has information about state tax laws. The Internal Revenue Service (IRS) has information about which federal taxes apply to your business. For additional information, you may want to consult a tax lawyer.

Family child care providers can take advantage of tax benefits and employment benefits.

- Home business tax write-offs help to offset expenses.
- Direct expenses such as food, toys, equipment and insurance are 100 percent tax-deductible.
- Indirect expenses such as real estate taxes, mortgage interest, rent, utilities, repairs and home insurance are partially tax-deductible.

## Additional Resources

- [Small Business/Self-Employed Virtual Small Business Tax Workshop](#)  
From the IRS

## Additional Financing Information from First Children's Finance

- [Analyzing Financial Statements](#)
- [The Busy Director's Quick Money Management Checklist](#)
- [Center Cash Flow Projection Worksheet](#)
- [Family Child Care Budget Projections](#)
- [Family Child Care Cash Flow Projection Worksheet](#)
- [Glossary of Financial Terms](#)
- [For Profit Versus Nonprofit](#)
- [For Profit Center Annual Projection Template](#)
- [Nonprofit Center Annual Budget Template](#)
- [Sources and Uses Worksheet: Child Care Centers](#)

## Insurance for Your Business

Different types of insurance are required for different types of child care businesses. Requirements vary by state. It is important to consider all insurance options, even if they are not required by your state. Your business is a big investment, both personally and financially. You should protect that investment and yourself by understanding the insurance available to you and deciding what to purchase. Legal advice may be helpful to you in making your decision.

## Types of Insurance

**Business Owners Insurance**, which includes general liability and property insurance, is a more economical way of buying General Liability and Property Insurance than buying it separately.

- **General Liability Insurance** covers bodily injury or property damage that occurs during the course of or because of your business. If a child trips on the stairs and is injured, for example, the parents may sue you.
- **Property Insurance** covers all of your business equipment inside and outside of your program.

**Professional Liability Insurance** is separate and insures you and others you employ for loss arising out of your responsibility or negligence while performing your business. It is important to closely review the differences in cost between liability limits; there is

usually minimal cost difference for higher liability coverage. While sexual abuse and molestation coverage is usually included in your Professional Liability policy, you should verify this with your insurer.

- **Sexual abuse or physical abuse coverage** insures you for loss if one of your employees or others with access to children in your program abuses a child in your care.

**Workers' Compensation Insurance** is required in many states for all employees and, in some states, for the business owner and employees as well, depending upon the type of business. This insurance pays benefits when an employee is injured while working. This insurance is governed by the state in which you reside.

### **Staffing Needs**

Colorado State have requirements about minimum education and experience qualifications for child care providers. As well as ratio requirements (the number of child care staff required for a specific number of children). This number is based on the ages of the children. This ratio will tell you how many providers are required for each group of children.

The minimum number of providers you will need depends on the ages and number of children in your program. Colorado State licensing regulations have very specific information about the following factors:

- Requirements about staff to child ratios (number of staff needed for a specific number of children)
- The number of usable square feet in your center or home. This will tell you the number of children you can have in your program.
- Requirements about group sizes (maximum number of children allowed in a group/classroom)

To find staffing needs and qualifications information go to the Office of Early Childhood Information and find [7.702 Rules Regulating Child Care Centers \(Less than 24-hour care\)](#).

**Additional child care staff:** You must have enough qualified providers to be able to replace your regular providers when they are unavailable during breaks or meal times or are absent due to illness or vacation. If you are a family child care provider, you will need a qualified substitute provider to come to your home or a qualified backup provider home where parents can take their children when you cannot provide care.

Some child care centers need staff for additional services. These services may include administration, training, cooking, housekeeping and transportation. These services are

usually performed by staff you employ, but you may want to contract with other businesses to perform the work.

## **Developing Your Policies and Procedures**

Your policies and procedures will include a number of important topics. Some will be larger and overarching and others may seem less significant. All of these items, however large or small, are important to think about and establish ahead of time so that your business may run smoothly and all parties, from employees to families, know what to expect.

## **Code of Ethical Conduct**

As a child care professional, you will have to make some difficult decisions. Your policies and procedures should address your program's code of ethical conduct. Both the National Association for the Education of Young Children (NAEYC) and the National Association for Family Child Care (NAFCC) use the [NAEYC Code of Ethical Conduct](#) as a guide for ethical behavior.

## **Operating Hours**

When you set your hours of operation, consider factors that affect your parents:

- Local school hours
- Traditional work hours for parents in your community
- Nontraditional work hours your parents may work (shift, nights, weekends)
- Time parents spend traveling to and from their jobs

Also think about factors that affect your own family:

- Your family commitments
- Your spouse's working hours

Family child care providers often can be more flexible than center programs. They can extend hours if necessary on a case-by-case basis to accommodate parents' work hours. Many child care programs charge a late fee to encourage parents to pick up children before closing hours. Make sure your operating hours do not extend beyond the time you are able to devote the necessary energy and attention to the children in your care.

## **Parent Handbook/Policies and Procedures**

Your parent handbook outlines your program's policies and procedures. It includes information that is important for your parents to know. Encourage families to read the

parent handbook and to ask questions. The state of Colorado require that you have written policies and procedures for parents. Visit the Colorado Office of Early Childhood (COEC) [website](#).

#### 7.702.31 Statement of Policies and Procedures [Rev. eff. 2/1/16]

At the time of enrollment, and upon amendments to policies and procedures, the center must give the parent(s)/guardian(s) the center's policies and procedures and provide the opportunity to ask questions.

Written copies must be available either electronically or in hard copy. The center must obtain a signed document stating that the parent(s)/guardian(s) have received the policies and procedures, and by signing the policies and procedures document, the parent(s)/guardian(s) agree to follow, accept the conditions of, and give authorization and approval for the activities described in the policies and procedures. Policies must include the following:

- A. The center's purpose and its philosophy on child care;
- B. The ages of children accepted;
- C. The hours the center is open, specific hours during which special programs are offered, and, holidays when the center is closed;
- D. The procedure regarding inclement and excessively hot weather;
- E. The procedure concerning admission and registration of children including whether non-immunized or under immunized children are enrolled in the program;
- F. An itemized fee schedule;
- G. The procedure for identifying where children are at all times;
- H. The center's procedure on guidance, positive instruction, supporting positive behavior, discipline and consequences, including how the center will:
  - 1. Cultivate positive child, staff and family relationships;
  - 2. Create and maintain a socially and emotionally respectful early learning and care environment;
  - 3. Implement teaching strategies supporting positive behavior, pro-social peer interaction, and overall social and emotional competence in young children;

4. Provide individualized social and emotional intervention supports for children who need them, including methods for understanding child behavior; and developing, adopting and implementing a team-based positive behavior support plan with the intent to reduce challenging behavior and prevent suspensions and expulsions; and,
  5. Access an early childhood mental health consultant or other specialist as needed.
- I. The procedure, including notification of parents or guardians, for handling children's illnesses, accidents, and injuries;
  - J. The procedures for responding to emergencies such as lost children, tornadoes, and fires;
  - K. The procedure for transporting children, if applicable, including transportation arrangements and parental permission for excursions and related activities;
  - L. The procedure governing field trips, television and video viewing, and special activities, including staff responsibility for the supervision of children;
  - M. The procedure on children's safety related to riding in a vehicle, seating, supervision, and emergency procedures on the road;
  - N. The procedure for releasing children from the center only to persons for whom the center has written authorization;
  - O. The procedures followed when a child is picked up from the center after the center is closed or not picked up at all, and to ensure that all children are picked up before the staff leave for the day;
  - P. The procedure for caring for children who arrive late to the center and their class/group is away from the center on a field trip or excursion;
  - Q. The procedure for storing and administering children's medicines and delegation of medication administration in compliance with Section 12-38-132, C.R.S., of the "Nurse Practice Act";
  - R. The procedure concerning children's personal belongings and money;
  - S. Meals and snacks;
  - T. Diapering and toilet training;
  - U. Visitors to the center;

- V. Parent and staff conferences to inform the parents or guardians of the child's behavior, progress, and social and physical needs;
- W. The procedure for filing a complaint about child care (see 7.701.5, General Rules for Child Care Facilities);
- X. Reporting of child abuse (see 7.701.5, General Rules for Child Care Facilities);
- Y. Notification when child care service is withdrawn and when parents or guardians withdraw their children from the center; and,
- Z. How decisions are made and what steps are taken prior to the suspension, expulsion or request to parents or guardians to withdraw a child from care due to concerns about the child's behavioral issues. These procedures must be consistent with the center's policy on guidance, positive instruction, discipline and consequences, and include documentation of the steps taken to understand and respond to challenging behavior.

Here is the link [for Policies and Procedures/Parent Handbook sample](#) from COEC resources.

## **Staff Handbook**

A staff handbook outlines the expectations that you, the business owner, have for your employees.

If you want your staff handbook to be a binding agreement between you/your business and your employee(s), you should review it with each staff member. Discuss any questions they have. Consider having staff sign the document saying they understand the contents.

The following topics are often included in staff handbooks:

- Welcome
- Your program mission and philosophy
- Benefits
- Child abuse prevention, identification and requirements for reporting
- Child behavior and guidance policies
- Curriculum
- Ethical conduct
- Evaluation procedures
- Health and safety procedures

- Hiring and termination procedures
- Holidays and leave policies
- Job descriptions
- Organizational structure
- Parent communication and involvement
- Pay scale
- Professional development requirements
- Supervision

Check with your state licensing agency to find out if you are required to share certain information or policies with your staff.

#### **Additional Resource**

- [Staff Handbook – Sample](#)  
By North Dakota Child Care Resource and Referral

### **Disasters and Emergencies**

Disasters and emergencies will happen. Include procedures in your business plan on how to handle the emergencies and disasters that are most likely to affect your geographic area. Develop a checklist or use an existing checklist suitable for your area. Regularly practice the procedures with the children and staff to ensure their safety.

#### **Additional Resources**

##### **Child Care Resource Packets**

- [Instructions for Completing the Application Packet and Resources](#)
- [Admission Procedures](#)
- [Child Care Services](#)
- [Communication, Emergency and Security Procedures](#)
- [ADA Definition](#)
- [Facility Requirements and Transportation](#)
- [Growth and Development](#)
- [Guidance, Learning Activities, Materials and Media Use](#)
- [Policies and Procedures](#)

##### **General Resource Materials**

- [Disaster Preparedness Sample](#)
- [Safe Sleep Policy](#)
- [Safe Sleep Environments for Infants](#)
- [Monthly Crib Inspection Report](#)

- [Physician Permission for Infant Alternate Sleep Position](#)
- [Physician Permission for Swaddling](#)
- [Colorado Core Knowledge and Standards by Colorado Office of Professional Development](#)
- [Colorado Department of Public Health and Environment, Child and Adult Care Food Program](#)
- [The National Resource Center for Health and Safety in Child Care and Early Education's "Use of Water and 100% Juice" Toolkit](#)
- [EPA Lead Website and Child Care Provider Flyer](#)
- [Video: Don't Leave Your Child In the Car](#)

## **Training**

There are several types of training that child care providers should have. We've broken it down to two main types: initial and ongoing (annual). Initial and ongoing training opportunities improve your program as you increase your skills and apply new information to your work with young children.

## **Training Requirements Licensed Child Care Provider**

The Division of Early Care and Learning requires two types of initial training for child care providers:

1. Pre-Service training must be completed prior to working with children.
2. Orientation training must be completed within 30 days of employment.

Training requirements include specific courses and annual clock hours. [View licensing training requirements.](#)

To meet the annual clock hours training requirement, all licensed child care providers are required to have 3 clock hours of training focused on social emotional development and 12 clock hours of training focused on these eight competencies:

1. Child growth and development, and learning or courses that align with the competency domains of child growth and development
2. Child observation and assessment
3. Family and community partnership
4. Guidance
5. Health, safety and nutrition
6. Professional development and leadership
7. Program planning and development

## 8. Teaching practices

### **Required Pre-Service and Orientation Courses**

Many of the required trainings are currently, or will soon be, offered free of charge through the Colorado Shines Professional Development Information System (PDIS) at <https://ecpd.costartstrong.org> The Office of Early Childhood, Division of Early Care and Learning approves training vendors to provide required courses not currently on PDIS. Approved vendors may be found at [www.coloradoofficeofearlychildhood.com/training](http://www.coloradoofficeofearlychildhood.com/training).

### **Questions? Contact the Child Care Licensing & Administration Unit:**

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