

Should I Open a Child Care Center?

Opening a child care center is a rewarding opportunity. The reality is that it is also a challenge. There are many things to consider when opening a child care facility, so we have compiled some information from various resources to assist you in making an informed decision on whether to pursue a child care center business.

These are the general types and descriptions of child care options in Oregon:

- **Registered Family Child Care** - is a program designed to provide care for children ranging in ages from 6 weeks up to 12 years of age. This is a mixed age group setting in the child care providers home.
- **Child Care Centers** - A child care facility that is certified to care for thirteen or more children, usually grouping children in rooms according to age and development.
- **Certified Family Child Care** - is a facility that is certified to care for 12 or fewer children and is located in a large family home with space designated for the child care setting.
- **Before and After School Care** - is a program providing care for school age children before and after the regular school day in a child development center, school or home.
- **In-Home care** - in a home care setting, a nanny or sitter cares for and supervises the child in the child's home.
- **Preschool/Nursery School** - usually is a part time child development center operating during the school year less than 4 hours per day, ages 3 - 5.

If you would like further information or descriptions, contact Child Care Information Service (CCIS) at 503-585-2491.

Information below is cited from the Online Women's Business Center:

ASSESSING COMMUNITY AND FAMILY NEEDS

Now that you are aware of the need for child care programs, the next step is to assess the family and community needs for that service. This may require that you research the market to determine the kind of service that families in your community need and want, and to identify the different kinds of programs already available. By doing so, you avoid duplicating services, and you will be able to develop a program that responds to the needs of the families you are serving.

How to Identify Family Needs

The easiest and most efficient way to determine family child care needs is to go directly to the source, that is, the parents. The information they give you will be invaluable. So talk to the parents, get them involved, find out what they want. They are your best source.

Perhaps the best way to gather this information is to arrange an interview with several families (a focus group) in your community to discuss what they need and want, or conduct a mail or telephone survey. You can find participants for your survey by contacting local churches or community groups. A sample survey questionnaire can be obtained from CCIS.

Identifying the population characteristics of your community is another source of information. Obtain census data for the following information:

- number of families in your community.
- number of working families with children 0- 6 years.
- number of working families with children 7-14 years.
- number of recent marriages.
- number of new home starts.
- geographic concentration of families with children.
- income distribution of families.
- number of small and large businesses.
- school census data.

You can obtain this data by contacting the:

- Municipal Center or City Planning Office
- United Way Planning Office
- U.S. Census Bureau
- Information Office of your local school system
- Search the Internet for census data
- Bureau of Labor Statistics

Use this information to help predict future needs for child care services. For example, if a substantial number of children are infants to six years old, you can expect an increased demand for school age care in future years. If, however, you find that a substantial number of children are in age groups 12-14, it may not be feasible to open a child care center in your immediate community.

Once you've answered these questions, study each section to determine what is best for your center. Remember the kind of care you provide should depend on the need for that care. Also keep in mind that providing child care services involves both the children and their parents. A strong ability to interact effectively with children and adults is essential for success.

Community Needs Assessment

To capture a niche in the market, you may have to offer services that your competitors aren't offering or services they've overlooked. For example, if several child care centers in your community provide care for children from ages three to five only, you may want to consider providing care for newborns, infants, one and two year old toddlers. Or, in addition to your daily child care services, you may want to provide after school care for children ages 6 to 12, depending on the need.

Sample Parent Survey Form:

Date:

Dear Parents:

The ___(Organization Name)___ is administering this survey to determine the need families might have for child care in this area.

The information we receive from you will help determine whether or not we establish a child care center in your area.

Thank you in advance for your cooperation.

1. What are the ages of children in your household?

Child	Age_____	Grade (if applicable)_____
Child	Age_____	Grade (if applicable)_____
Child	Age_____	Grade (if applicable)_____
Child	Age_____	Grade (if applicable)_____

2. When do you use child care for your child(ren)? Check and complete all that apply.

- Don't use child care (go on to #3)
- Five days
- Less than five days per week: Number of days _____
- Full-time How early? ___a.m. How late? ___p.m.
- Before school: How early? ___a.m.
- After school: How late? ___p.m.
- Summer
- Drop-in, occasional use
- Odd hours/24-hour – please elaborate how early?___ how late?___

3. If you do not presently use child care, will you need it in:

- six months I will not need it
- one year other, explain_____

4. Where do you prefer your child(ren)'s care be located?
- | | |
|--|---|
| <input type="checkbox"/> At home | <input type="checkbox"/> Child care provider's home |
| <input type="checkbox"/> Near work | <input type="checkbox"/> Child care center |
| <input type="checkbox"/> Relative/friend/neighbor's home | <input type="checkbox"/> Other _____ |

5. Please indicate how important each of the following features would be in deciding whether to use a child care center:

(Circle one number after each)

	Not Important	1	2	Somewhat Important	3	Very Important	4	5
Cost	1	2	3	4	5			
Types of activities offered	1	2	3	4	5			
Coverage on school holidays	1	2	3	4	5			
Staff/Child Ratios	1	2	3	4	5			
Staff Qualifications	1	2	3	4	5			
Location	1	2	3	4	5			
Transportation	1	2	3	4	5			
Other _____	1	2	3	4	5			

6. What can your family afford per child? (check only one)
- | | |
|---|---|
| <input type="checkbox"/> Cost is not a factor | <input type="checkbox"/> \$80-\$90/week |
| <input type="checkbox"/> \$45-\$50/week (\$180-\$200/mo.) | <input type="checkbox"/> \$100-\$120/week |
| <input type="checkbox"/> \$50-\$60/week | <input type="checkbox"/> \$120-\$130/week |
| <input type="checkbox"/> \$60-\$70/week | <input type="checkbox"/> \$130-\$150/week |

7. The following is a list of frequently offered activities in child care centers. Please check the five activities you would most like to see in a local program.

- | | | |
|--|---|--|
| <input type="checkbox"/> Dance & Movement | <input type="checkbox"/> Field Trips | <input type="checkbox"/> Swimming |
| <input type="checkbox"/> Movies | <input type="checkbox"/> Arts and Crafts | <input type="checkbox"/> Sports |
| <input type="checkbox"/> Cooking | <input type="checkbox"/> Music | <input type="checkbox"/> Dev App Activ |
| <input type="checkbox"/> Leisure reading/writing | <input type="checkbox"/> Dramatic Play | <input type="checkbox"/> Other _____ |
| <input type="checkbox"/> Homework/Tutoring | <input type="checkbox"/> Foreign Language | |

8. If a quality child care program is offered in this area, would you seriously consider using the program? Yes No

9. Additional Comments: _____

Market Analysis

You will discover that MARKET ANALYSIS is a very useful tool for gathering the data you'll need to determine if your idea is feasible and the kind of care to provide. You don't have to be a trained statistician to analyze the marketplace nor does the analysis have to be costly; it is simply a way for you to gather information that will enable you to

determine if the service you plan to provide will sell. *Know the market before investing your time and money.*

To obtain information on the child care programs in your community:

- contact Child Care Information Service at 503-585-2491;
- contact the Child Care Division (CCD) licensing office.

When assessing your community's need for a child care program, ask CCIS some of the following questions:

- What type of care exists in the community?
- What age groups are being served-infants, toddlers, preschool, school age combinations?
- Are there age groups that need more care than others?
- What hours do the centers open and close?
- What types of service do they offer? (a. daycare (b. night care (c. evening care (d. after school care
- How many centers are there?
- Where are the centers located?
- Is there a waiting list of people needing child care services?
- Are more centers needed in the same area?
- What service can you provide that other centers aren't offering?

Whatever service you provide, make sure it responds to the families' needs, it's based on the children's interests and it promotes their intellectual, social, emotional and physical development. Remember to review all the options before deciding on the service(s) you plan to provide!

SELECTING THE SERVICE YOU PLAN TO PROVIDE

Now that you've assessed family and community needs and determined that there is a need for new or additional child care services, you must decide what kind of care you want to provide.

Planning and operating a child care center will consume much of your time and energy. So it is important that you identify your reasons for going into business and assess your skills and personality to determine if you are the right person for the job.

IDENTIFYING YOUR REASONS FOR GOING INTO BUSINESS

As a first, and often overlooked step, ask yourself why you want to go into business. Check each of the reasons that apply to you.

- Freedom from the 9-5 daily routine
- Being your own boss
- Improving your standard of living
- Bored with your present job

If you are in excellent physical health, a good problem solver, usually take the initiative, a risk taker and feel comfortable making decisions, then you probably will be comfortable managing a business. If you think you can succeed because 1) you have sufficient cash to operate through the critical first year (or feel confident you can raise the money) 2) you are willing to work long hours at relatively low pay and 3) you believe you possess the necessary skills-you have a chance to succeed.

Personal Skills and Experience

Certain skills and experience are crucial to the success of any business. It is unlikely that you will possess all the skills and experience needed, so you'll have to hire personnel to supplement those you lack. But there are some basic skills you'll need for your business.

Answering the following questions will help you identify the skills you possess and those you lack.

- Do you know what basic skills you'll need to operate a successful family child care home?
- Do you have any business experience?
- Have you ever worked as a director or manager?
- Have you reared children of your own?
- Do you have any child care experience?
- Is responsibility new to you?
- Are you willing to work long hours if necessary?
- Are immediate profits or covering costs important to you?
- When hiring personnel, will you be able to determine if the applicant's skills meet the requirements for the position you are filling?

If you have made it this far and are comfortable with the information, your next step is to look at marketing and budget information.

Information below cited from Wisconsin Child Care Improvement Project:
<http://www.wccip.org/tips/>

UNDERSTANDING THE LAW

Know the Laws Associated with Child Care

- Licensing Regulations
- Wage and Hour Requirements - State & Federal
- FICA and Federal Withholding Filed quarterly
- Structure - Profit/Non-profit (501C3)
- Local Zoning
- Building Codes
- Americans With Disability Act (ADA) Requirements

Have an attorney and an accountant on retainer

SETTING REALISTIC POLICIES AND BUDGETS

Develop An Annual Budget

(As a general rule, about 75% of costs are in personnel; approximately 10% are in occupancy; 6-7% are in food; the rest are in other expenses.)

- Calculate Yearly Occupancy
- Factor in "*Parent Failure to Pay*" Debts and Under Enrollment (You won't be 100% full all of the time.)

- Base debts on previous year's experiences.
- Work to minimize future debts through appropriate collection policies.
- Set rates to cover expenses and vacancy factors

Keep **Accurate Records Related to the Financial Aspects of the Business**

- Employee Work Hours - for payroll and wage and hour reviews
- Attendance of children - for billing
- Purchases - for financial statements, tax purposes, and depreciation of large ticket items
- Fee Collection - for financial statement and management of debts

Utilize **Monthly Financial Statements:**

- To Keep Budget on Target
- To Identify Problems
- To do Long Range Planning

Terms **To be Knowledgeable About:**

- Balance Sheet - a picture of the financial health of a business
- Break-Even Point - the number of children needed to be enrolled to cover expenses. (Composition by age group is important here.)
- Accrual vs. Cash System of Accounting - which system most benefits the business?
- Full Time Equivalent (FTE) - refers to the number of enrolled children necessary to equal a full time child.

MAINTAINING ENROLLMENT

As you think of opening a center, this topic will arise. Costs per age group, types of care, and managing staffing patterns are all areas you may want to explore in the future.

This information can be located on the internet or in supplemental materials through CCIS.

PARENT FEES AND COLLECTION PRACTICES

- Minimize the fee break for families with two or more children. The cost for each child is approximately the same.
- Charge a start up fee for costs involved in the enrollment procedure. Some programs have a yearly enrollment fee, which may cover field trips and special activities' fees.
- Require a two-week termination notice. This allows an opportunity to fill the space of the child who is leaving.
- Collect the first two weeks payment in advance, to cover the costs of a person leaving without notice. (If the parent has given the proper notice, and is paid up through the leaving date, return their prepayment.)
- Collect fees at the beginning of the week, as opposed to the end of the week.
- Establish a late fee to discourage parents from picking up children after closing time. (Increase this amount for repeat offenders.)
- Establish a bad check fee.

STAFF RECRUITMENT AND RETENTION

A key to a financially secure business is to have a quality product - in this case, your child care program. Staffing is the key to a quality program. Qualified staff, or staff with the potential for becoming quality personnel, should be targeted for recruitment. Turn over is costly with advertising, hiring and training costs. It is also responsible for increasing stress levels of remaining staff. It takes investment to build quality staff, and proportional efforts to retain staff, but it is well worth the effort.

Please refer to your "Rules For The Certification of Child Care Centers" book. These are the rules and regulations that can be obtained through the Child Care Division of the Employment Department. This will give you guidelines on hiring appropriately trained staff for your program in accordance with the law.

Recruitment

- Work closely with colleges and associate programs.
- Have a plan for staff advancement (Career Ladder) with increased compensation.
- Use staff and parents as referral sources and give finder's bonuses for recruiting new families.
- Offer competitive wages and benefits. Consider flexible benefits.
- Hire part time college students in appropriate fields of study. (Long-term commitment of students is most beneficial as it is important to children to maintain continuity of care.)

For more extensive materials feel free to contact CCIS for information.

BUSINESS TIPS TO CONSIDER

- Begin with excellent parent communication. Develop, implement and consistently enforce policies, which contribute to good business management. Develop a niche or specialty, which will give your center its own personality. Understand third party payment systems (DHS subsidy), and state and local funding opportunities. Keep up with the latest trends in the child care field.
- Attend conferences
- Join professional organizations
- Subscribe to child care administrator magazines

No marketing plan fits all child care programs. Each program will need to develop its own mix of marketing techniques. The average consumer needs to see or hear about a product or service three times before they respond to it, so is a good idea to use a variety of external marketing techniques to assure the community's attention.

First Impressions are very important. The first sixty seconds of contact may win you a new customer, or drive one away. Over 90% of parents rely on recommendations from relatives, friends, and co-workers, so pleasing your current families is essential to long-term stability. A happy customer will tell three or four others; a dissatisfied customer will tell ten.

The following lists will help you consider the elements to include in developing your program's marketing plan.

For more information on marketing strategies, contact CCIS at 503-585-2491.

Advertising will be a significant part of your marketing plan and budget. Advertising costs can range from free to very expensive.

Child Care Resource and Referral (CCIS)

- Serve all areas of the state: maintains databases on all regulated child care in their region.
- At no cost to child care providers, parents contacting CCIS receive a list of all regulated child care programs which meet their needs.

Printed Materials

- Business cards
- Outdoor sign
- Newspaper advertising
- Imprinted tee shirts, caps, totes, etc.
- Brochures
- Posters/flyers

News Media

- Radio
- Television
- News releases
- Hiring of a new director or teacher
- Staff attendance at a national seminar
- Announcement of a new site or service
- Special activities, unusual field trip
- Free health screening offered at center

Special Events

- Participate in local parades
- Maintain a booth at a community fair
- Volunteer for a local fundraising marathon

Other Marketing Ideas

- Invite elected officials to visit
- Invite news media
- Public speaking
- Civic group presentations
- Church groups
- High school classes
- Display children's art in the community
- Offer your space for classes such as Lamaze, LaLeche, or parenting classes

- Partner with technical schools and other training programs

Simple Budgeting Techniques

Income	Amount
<p style="text-align: center;">Fees From Parents</p> <ul style="list-style-type: none"> • As a general rule, calculate at 70% full during the first year. • Will you charge a flat weekly rate per child or charge an hourly fee? • Will parents pay for holiday, sick days, and vacation? • Will there be a second child discount for children from the same family? • Will you have a sliding fee scale? 	
<p style="text-align: center;">Registration Fees</p> <ul style="list-style-type: none"> • Will you charge a fee for a child to be enrolled in your program • Will that fee be per family or per child? • Is it an annual or one-time fee? 	
<p style="text-align: center;">Transportation Fees</p> <ul style="list-style-type: none"> • Will you provide transportation for children to and from their home or school to your center? • Will you charge for this service? • If so, consider gas, oil, tires, repairs, and additional insurance. 	
<p style="text-align: center;">USDA Food Program</p> <ul style="list-style-type: none"> • Will you participate? • Potential income will vary depending upon the income levels of the families you will serve. 	
<p style="text-align: center;">Gifts/Contributions/Fundraising</p> <ul style="list-style-type: none"> • Will these funds be designated for a particular use or piece of equipment? • What will be your plan to solicit contributions? • Will you do fundraising events? 	

Other	
<ul style="list-style-type: none"> • Will you apply for grants? 	
TOTAL INCOME	
Expenses	Amount
Personnel	
<ul style="list-style-type: none"> • What will be your staff/child ratio • What are typical salaries in your area for each position? • Will you offer salaries above the average to attract top people? • Will you offer paid breaks and lunch periods? • Will you offer paid set-up and close-up time each day? • Will you have 1 – 2 hours paid planning time per week? • Will you have regular paid staff meetings? • What will you do when you or staff are sick or on vacation? • Will you need staff for cooking, cleaning, snow removal or transportation? 	
Personnel Sub-Total	
Fringe Benefits	
<ul style="list-style-type: none"> • Do you have information on: <ul style="list-style-type: none"> ○ FICA ○ Unemployment Compensation ○ Worker's Compensation • Will you offer additional benefits such as: <ul style="list-style-type: none"> ○ Health insurance ○ Tax deferred annuities ○ Child care ○ Paid sick time ○ Paid holidays/vacations • Will you offer a percentage of salary for benefits and let each staff pick the one they want? 	
Insurance	
<ul style="list-style-type: none"> • What insurance will you purchase? <ul style="list-style-type: none"> ○ Liability ○ Building and premises ○ Personal property ○ Professional liability 	
Travel	

<ul style="list-style-type: none"> • Staff Travel <ul style="list-style-type: none"> ○ Will you staff travel to conferences or to conduct center business? • Auto Expenses <ul style="list-style-type: none"> ○ Will you lease/purchase a van only to transport children or have related auto costs? 	
<p>Equipment (lasting longer than two years, \$500 +)</p> <ul style="list-style-type: none"> • Educational <ul style="list-style-type: none"> ○ Will you need additional furniture for the children? ○ Will you need additional toys/manipulatives for: <ul style="list-style-type: none"> ▪ large and small muscle activity ▪ dramatic play ▪ creative expression ▪ intellectual stimulation • Kitchen <ul style="list-style-type: none"> ○ Will you need additional equipment for meal preparation (stove, pans)? • Housekeeping <ul style="list-style-type: none"> ○ Vacuum • Office <ul style="list-style-type: none"> ○ Will you need additional equipment for the administration of your center? (computer, desk, copier, file cabinet) 	
<p style="text-align: center;">Supplies/Operating Expenses</p> <ul style="list-style-type: none"> • Rent/mortgage • Utilities (electric, heat, water) • Taxes • Maintenance/Repairs – (plumbing, lawn care, snow removal, repair, maintenance of heating/air condition, etc.) • Telephone • Licensing fee • Educational <ul style="list-style-type: none"> ○ paper, paint, glue, games, balls, etc. • Kitchen Supplies <ul style="list-style-type: none"> ○ dish soap, cleanser, blender, etc. • Housekeeping Supplies <ul style="list-style-type: none"> ○ paper towels, soap, toilet paper, etc. • Office Supplies <ul style="list-style-type: none"> ○ file folders, paper, pens, ink cartridges, etc. • Food <ul style="list-style-type: none"> ○ What meals and snacks will you serve? ○ Will the children bring their lunch or will you serve one? ○ Will you serve breakfast? (To figure for a meal or snack, multiple the average cost of one serving X the # of children X the # of days) 	

<ul style="list-style-type: none"> • Advertising <ul style="list-style-type: none"> ○ Will you advertise in the yellow pages? ○ Will you pay for ads in a newspaper? ○ Will you distribute flyers and/or brochures? ○ Will you have business cards? • Postage and Mailing <ul style="list-style-type: none"> ○ Will you mail brochures or packets to prospective parents? ○ Will you mail your newsletters to parents or hand them out? 	
<p style="text-align: center;">Contract Services and Consultants</p> <ul style="list-style-type: none"> • Will you need the services of people who are not on your regular payroll? <ul style="list-style-type: none"> ○ Accounting ○ Legal ○ Transportation ○ Construction ○ Cleaning 	
<p style="text-align: center;">Staff Training</p> <ul style="list-style-type: none"> • What will you or your staff participate in to meet the continuing education requirements? • Will you pay for entry level courses? • Will you pay for registration fees, travel, meals and/or overnight expenses? 	
<p style="text-align: center;">TOTAL EXPENSES</p>	

CCIS also has information on these subjects:

- Wage/hour laws
- ADA requirements
- Recruiting and Retaining Qualified Staff
- Marketing Information
- Grant-writing

For more information on budgets and start-up costs, forms, handbooks, etc... please contact CCIS at 503-585-2491.