

Success: An Example

Sue expanded her child care center with the help of Small Business Administration resources.

Sue is the owner of a child care center in Massachusetts and she is licensed by the Office of Child Care Services (OCCS). Sue came to the United States 20 years ago and has been providing child care since that time. She began caring for children in her home and opened a child care center in 1997 which served 32 children. Sue loved her work. She had a long waiting list of parents who wanted their children to attend her center.

One year ago, the space next door to Sue's child care center became available. Sue thought that she could use this space for classrooms to accommodate more children. Sue contacted her OCCS licensor for information about the number of children she could serve and renovations needed to ensure that it would be safe for children. She also contacted her local building inspector. Sue learned that she would be able to care for an additional 20 children, and that approximately \$15,000 in renovations would be required. Sue also decided to purchase new equipment and toys.

Sue began with a "feasibility study" to figure out if it made financial sense for her to expand and improve her child care center. Sue reviewed the costs associated with expansion – including purchasing the space, making required renovations, and adding staff – as well as the costs of new equipment and toys. Sue estimated that she would need \$95,000 to accomplish these goals. Sue also looked at the number of additional children she could serve, and the income they would provide to her business. Sue found that over time, the additional income would probably cover the costs of expansion and that her expanded center could be profitable. Sue next created a business plan. She had to determine what her expanded business would do: How old are the children she would serve? How many children would she care for? How many hours per week would she operate? How could she make her expanded child care business successful?

Sue wanted some advice on her business plan. She contacted the Small Business Development Center (SBDC) in her community for help. She met with staff at the SBDC who helped her revise her plan and think through tough questions. With help from the SBDC, Sue felt more confident about her plan, but she still wondered how she would afford to purchase and renovate the space next door to her center. Sue consulted with her SBDC advisor. After looking over Sue's paperwork, the SBDC sent Sue to an organization known as a "microlender" that specializes in loans to small businesses.

Sue met with the microlender. Sue and the microlender's staff reviewed her business plan, discussed her needs, and reviewed the various loan options available. Based on the paperwork provided, the microlender identified a loan that Sue would qualify for. Although Sue had never taken out a loan before, she decided that she could run her business effectively and pay it back over time. The microlender agreed and approved her for the full amount. The loan was disbursed a month later, and Sue soon opened a larger child care center.

Today, Sue is a successful child care business owner. She was able to expand and improve her business to care for a total 52 children.

Although Sue did face many challenges, she found that there are resources available to assist her. This guide is designed to help you explore the business side of child care and provide you with the resources to help you succeed.

Assessing Feasibility: Will my child care business pay off?

Before you begin to invest your time, energy and resources into starting a child care center, use the materials in this section to plan ahead and figure out whether it is right for you. Does running a child care center make financial sense for you? Are there decisions you can make early on that will help to make your business a success?

The following “feasibility worksheets” will take you through the process of answering these questions. To start, you will make some assumptions that allow you to estimate the amount of money that would be coming in and going out. For example, you will be asked to make assumptions about the number of children you will serve, the amount you will charge to care for them, the number of hours you will work, and the amount of money you will pay yourself and other staff. As you will see, these assumptions can be changed. But these estimates will help you anticipate the finances of your new child care business, and identify opportunities to improve your plan.

Next, the feasibility worksheet will ask you, based on the assumptions you made, to determine the amount of “revenue” or money coming in - usually fees charged to parents per child. It will also ask you to figure out your “operating expenses” or the amount of money it will cost you to run your child care program day-to-day - usually staff salary and food expenses, as well as the “general expenses” such as educational toys, equipment, and insurance.

If you see that the estimated revenue from the child care business is less than your expenses, look at the assumptions you have made. Can you care for an additional child? Can you care for a different mix of children such as infant versus toddler or subsidized versus private pay? Can you charge more?

If you need help completing the feasibility worksheet, or would like to discuss your options with a professional, you can contact a Child Care Resource and Referral Agency (CCRR), a Small Business Development Center (SBDC), or a member of the Service Corps of Retired Executives (SCORE) in your area. Check the Directory at the back of this guide for a complete listing. Here is an example to help you get started:

Rosie's Child Care Center

Rosie has successfully run a family child care business and is ready to care for more children. Rosie speaks with representatives from her church and they are happy to rent her the basement to open a child care center. Rosie asks her local building inspector to look at the space and is told that she can have up to 25 children and must complete minor renovations. She would like to figure out whether it makes financial sense for her to open a child care center.

Revenue

Rosie first determines the amount of money she can expect to be generated by her business. Although parent fees are the usual source of income, Rosie knows that some parents may qualify for federal and state assistance, known as subsidies, that partially covers their child care fees under a “reimbursement rate.” Rosie obtains information about these programs from the Office of Child Care Services (OCCS) and her local Child Care Resource and Referral Agency. Rosie knows that her reimbursement rate will depend upon the age of children in her care, and on her location.

Rosie learns from her OCCS licensor that she can maintain two different rooms with two different age groups of children. The first room will have children aged 33 months – 47 months, and has a maximum of 15 children at any one time. The second room will have children aged 6 months – 33 months, and has a maximum of 10 children at any one time. She looks up the reimbursement rates in her area, and finds that Room One will pay \$30.00/day per child and Room Two will pay \$45.00/day per child. Rosie also researches her local child care market and finds these rates also apply to private pay families who do not receive subsidies. Rosie assumes that she will have a mix of subsidized and private pay children; she also assumes a policy that any child staying less than five hours will pay half, or 50%, of the daily rate. Rosie assumes that the children will attend 50 weeks per year because of her vacation time and that of the parents.

Rosie estimates her enrollment as follows:

Room 1: 33 months – 47 months
 10 full day children, 5 days/week
 3 full day children, 3 days/week
 4 half day children, 3 days/week

Room 2: 6 Months – 33 Months
 5 full day children, 5 days/week
 5 half day children, 5 days/week
 5 half day children, 3 days/week

Rosie expects that all of the children will be providing their own snacks, meals and drinks.

Here is how Rosie projects her revenue:

Tuition Room 1

10 full day kids X 5 days/week X 50 weeks X \$30/day =	\$75,000
3 full day kids X 3 days/week X 50 weeks X \$30/day =	\$13,500
4 half day kids X 3 days/week X 50 weeks X \$15/day =	\$ 9,000

Tuition Room 2

5 full day kids X 5 days/week X 50 weeks X \$45/day =	\$56,250
5 half day kids X 5 days/week X 50 weeks X \$22.50/day =	\$28,125
5 half day kids X 3 days/week X 50 weeks X \$22.50/day =	<u>\$16,875</u>

Rosie estimates her annual revenue to be = \$198,750

Direct Business Expenses

Rosie agrees to pay the church \$1,500 in rent each month. In addition, she agrees to pay the gas and electric bills that the church tells her are about \$500/month. Her commercial telephone bill is expected to be about \$100/month because she will also have a separate fax line. Her insurance on the property is about \$200/month. Rosie estimates licensing fees of about \$400 per year, and professional development expenses of about \$1,200 per year. She hires a bookkeeper to help her on a monthly basis for about \$150 per month. In addition, Rosie realizes that she will need to advertise regularly to sustain her enrollment. She allocates \$150 per month to pay for ads in local weekly newspapers, a telephone book ad, and some new flyers. She estimates her office supply expenses to be \$50 per month, and believes that the children's supplies will be \$200/month. Rosie also anticipates maintenance and repairs of about \$100/month. Because this is a new experience for Rosie, despite her research, she includes a miscellaneous category of \$100/month to account for things that she might not have considered.

Rosie's most significant expense is payroll. Rosie is required to maintain several staff, to provide workers' compensation insurance, and to withhold federal and state taxes. In addition, Rosie is committed to providing health care benefits for her workers. Rosie's anticipated enrollment will require the following staff, and she assumes she will pay employees for 52 weeks a year. Rosie estimates her payroll expenses to be:

Staff Room 1

1 full time licensed teacher X 40 hours/week X 52 weeks X \$12/hour =	\$24,960
1 part time assistant X 20 hours/week X 52 weeks X \$9/hour =	\$ 9,360

Staff Room 2

2 full time licensed teachers X 40 hours/week X 52 weeks X \$12/hour =	\$49,920
1 part time assistant X 20 hours/week X 52 weeks X \$9/hour =	\$ 9,360

Additional Payroll Expenses

1 Center Director - Rosie plans to pay herself an annual salary = (Note: Rosie plans to be in the classroom 20 hours/week ensuring adequate staff to child ratios)	\$30,000
Employee benefits – 25% of all salaries = (e.g. workers' compensation insurance, health insurance, vacation)	<u>\$30,900</u>

Here is how Rosie projects her direct business expenses:

Staff Payroll (Staff Room 1 + Staff Room 2 salaries) =	\$93,600
Director's Salary =	\$30,000
Employee Benefits/Insurance =	\$30,900
Rent (\$1,500/month X 12 months) =	\$18,000
Utilities (\$500/month X 12 months) =	\$ 6,000
Telephone (\$100/month X 12 months) =	\$ 1,200
Insurance (\$200/month X 12 months) =	\$ 2,400
Licenses (\$400 per year) =	\$ 400
Professional Development Expenses (\$1,200 per year) =	\$ 1,200
Bookkeeper (\$150/month X 12 months) =	\$ 1,800
Advertising (\$150/month X 12 months) =	\$ 1,800
Office Supplies (\$50/month X 12 months) =	\$ 600
Children's Supplies (\$200/month X 12 months) =	\$ 2,400
Maintenance and Repairs (\$100/month X 12 months) =	\$ 1,200
Miscellaneous (\$100/month X 12 months) =	\$ 1,200

Rosie estimates her direct expenses to be = \$192,700

Knowing her revenues and expenses, Rosie finds that her business is making \$6,050 per year. This is the "net income," or the amount of money she expects her business to make after paying direct expenses (\$198,750 in revenue MINUS \$192,700 in direct expenses). Note that Rosie's direct business expenses include a \$30,000 Director's salary that she plans to earn and use to support her family.

Understanding the Numbers: Feasibility Worksheet

Rosie uses her calculations and assumptions made in the sections above to fill out a feasibility worksheet. You can use the same worksheet by filling in the second column titled "Your Center."

	Your Center	Rosie's Center
REVENUE - Tuition		
Room 1		
Daily Rate		
Full Day Private Pay Rate		\$30
Half Day Private Pay Rate		\$15
Full Day Reimbursement Rate		\$30
Half Day Reimbursement Rate		\$15
Private Pay Revenue		
Full day		(5 days x 5 kids) = \$750
Full day		(3 days x 3 kids) = \$270
Half day		(3 days x 2 kids) = \$90
Half day		
Reimbursement Revenue		
Full day		(5 days x 5 kids) = \$750
Full day		
Half day		(3 days x 2 kids) = \$90
Half day		
Weekly Revenue		\$1,950
Number of billable weeks/year		50
TOTAL Room 1 Tuition Revenue (weekly revenue x number of billable weeks/year)		\$97,500

	Your Center	Rosles's Center
Room 2		
Daily Rate		
Full Day Private Pay Rate		\$45
Half Day Private Pay Rate		\$22.50
Full Day Reimbursement Rate		\$45
Half Day Reimbursement Rate		\$22.50
<u>Private Pay Revenue</u>		
Full day		(5 days x 3 kids) = \$675
Full day		
Half day		(5 days x 2 kids) = \$225
Half day		(3 days x 2 kids) = \$135
<u>Reimbursement Revenue</u>		
Full day		(5 days x 2 kids) = \$450
Full day		
Half day		(5 days x 3 kids) = \$337.50
Half day		(3 days x 3 kids) = \$202.50
Weekly Revenue		\$2,025
Number of billable weeks/year		50
TOTAL Room 2 Tuition Revenue (weekly revenue x number of billable weeks/year)		\$101,250
TOTAL Tuition Revenue (Room 1 tuition revenue + Room 2 tuition revenue)		\$198,750
GROSS REVENUE		\$198,750
DIRECT EXPENSES		
Rent		\$18,000
Utilities		\$6,000
Telephone		\$1,200
Insurance		\$2,400
Licenses		\$400
Professional Development Fees		\$1,200
Bookkeeper		\$1,800
Advertising		\$1,800
Office Supplies		\$600
Children's Supplies		\$2,400
Maintenance and Repair		\$1,200
Loan Interest		
Loan Principal		
Miscellaneous		\$1,200
Staff Payroll		\$93,600
Director's Salary		\$30,000
Employee Benefits/Insurance		\$30,900
Other		
Other		
Other		
TOTAL Direct Expenses		\$192,700
NET INCOME (gross revenue - total direct expenses)		\$6,050

What Rosie realizes from these calculations is that in order to keep her business running and pay all employee salaries, her business must make at least \$192,700 per year. This is the grand total of her direct expenses. Rosie knows that the reimbursement rates for Room One is \$30/day for full day care, and for Room Two is \$45/day for full day care, and \$22.50/day for half day care. To meet her direct expenses, Rosie decides to average, at a minimum, 13 full day children in Room One and eight full day children and one half day child in Room Two.

Rosie knows that if her average enrollment is less than this, she may be able to reduce the number of staff so long as she is in compliance with required staff to child ratios. If Rosie's average enrollment is greater, Rosie knows that she will exceed her direct expenses and earn a profit.

Rosie believes that she will enroll enough children, and collect enough tuition, to cover her business expenses, including her Director's salary which will allow her to support her family. Rosie decides to pursue her goal of opening a child care center.

Start-Up Expenses

Once Rosie determines that this business is feasible, she wants to make sure she has enough money to start the business. She needs to determine her up-front costs, and she needs to make sure she has access to that money.

Rosie expects that she will incur the following expenses prior to starting her business: first month's rent totaling \$1,500, minor renovations of approximately \$500, licensing fees of \$400, an initial supply of educational toys, art materials and office supplies totaling \$200, some children's furniture, shelving, milk crates, baskets and other storage units totaling \$400, as well as \$150 to begin marketing her child care business. Rosie also considers the amount of money she will need to keep her business running until it will generate sufficient revenue to cover expenses. Rosie estimates that she will need to pay \$2,450 to cover the business' first month of expenses (rent, utilities, telephone, property insurance, bookkeeper, etc.) before she collects a month's worth of fees from her customers. Rosie has not saved the \$5,600 needed to cover her up-front expenses, so she consults a Small Business Development Center (SBDC), the Center for Women and Enterprise (CWE), a Community Development Corporation (CDC), or a Service Corps of Retired Executive (SCORE) member for advice. Her small business advisor encourages Rosie to create a business plan and explains that the plan will help her to run her business effectively, as well as allow her to apply for a loan.

Rosie is excited about the possibility of opening a child care center. She is convinced that she will be successful as both an educator and a small business entrepreneur. Rosie next decides to write up her business plan.

Making a Business Plan: What do I want to accomplish?

Developing a business plan is an opportunity for you to put down on paper what it is you want to accomplish and how you will realize your goals. It can be used exclusively by you, or as a way for you to communicate about your child care business with a small business advisor or lender.

A good business plan can help you obtain financial and professional supports from the small business community. It can also serve as a road map as you start or improve your child care business. Take time to complete your business plan.

If you need help or have questions, contact the Service Corps of Retired Executives (SCORE), your local Small Business Development Center (SBDC), the Center for Women and Enterprise (CWE), or your regional Child Care Resource and Referral Agency (CCRR). Contact information is in the Directory located at the back of this guide. Your local Chamber of Commerce can also point you toward resources in your area.

Business Plan for Family Child Care

Business Name _____

Name(s) of Owner(s) _____

Address, City, State, Zip _____

Phone number: _____

Fax number: _____

Executive Summary

NOTE: Complete the Executive Summary last after you have finished the entire business plan.

This should summarize the major characteristics of your business plan into one or two pages (attach additional pages if needed). Copy appropriate parts of Sections I-II into this section. If you are applying for a loan, you will give this executive summary to the lender to summarize your business and explain why you need a loan. Write two to three short paragraphs on the topics below:

- A brief business description, your business mission, and your services (copy from section I).
- Your customers (income, ethnicity, gender), how large the market is, what part of the market you now serve, what part of the market you would like to serve, and how you reach your target market.
- Your competition and the advantages your business has over other similar businesses.
- Your goals for the next three years, including new services and resources you will need to meet your goals (money, employees, equipment, supplies etc).
- If you are applying for a loan, describe your plans for the loan period, indicate how much you are applying for, how you will use the loan, and how it will help you carry out your plans.

Section I: The Business

A. General Description

- Who owns the business and when was it founded?
- Is the business registered with the Secretary of State's Office?
- What is its legal structure (sole proprietorship, partnership, Sub-S Corporation, etc.)? You may wish to seek legal advice to help you decide how to structure and protect your business.

B. Business Mission

- What does the business do?
- Who does it serve?
- What is important about the business that you want to communicate to your customers?
- What are its most ambitious goals?
- What will it accomplish over its lifetime?

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C. Services

Describe your major services in detail. Answer these questions:

- What are the features (key components) of your services?
- What are the benefits of these services (how will they meet a need of your customers)?
(Note: In child care, parents are your customers while children are the direct recipients of your services)
- What is the price of each of your services?

It is sometimes helpful to use a chart to list this information. Below is a sample chart, but you may want to create a larger chart with more space in order to accommodate all your services.

Service	Features of Service	Benefits to Customers	Price
Example: Child care for infants and toddlers	Licensed facility Trained staff Small group size	Child care in a safe setting Age appropriate activities Nurturing environment	\$300/wk

D. Operations

Describe the basic operations of your business. Answer the questions that relate to your business:

- What hours do you operate?
- What is the physical space like (church, office, storefront)? What is the square footage?
- Do you rent or own?
- Do you have insurance? If so, what kind?
- What important equipment do you own or lease?

E. Staffing and Subcontracting

Describe who performs the various tasks that keep your business operating. Answer these questions:

- How many hours do you work in your business each week?
- Do you have any employees? If so, are they full time or part time employees (hours/week)?
- Do you offer them benefits such as insurance or vacation time?
- What is the role of each person who works for the business, including yourself?
- Do you subcontract some of your work to other businesses? Who are your major subcontractors?

F. Customers and Pricing

Answer these questions:

- How many customers do you have in a month? How many children do you serve in the course of a month?
- What percentage (%) of your children are full time versus part time?
- Is your business seasonal? How do school schedules affect your business?
- What is your basic pricing and cost structure?
- What are the ages of the children whom you serve?
- (You may want to consult your accountant about this next question) What is your weekly, monthly and yearly break-even service volume? In other words, how many children, or what mix of children, do you need to serve each week, month and year to earn as much as you spend on your business?

Section II: The Market

This section describes the market in which you operate, as well as your competition and strategies for competitive advantage and promotion.

A. Market Segments

Give a brief description of your types of customers. Answer these questions:

- Where are your customers located (your neighborhood, city/town, region)?
- Describe your children's parents or guardians in terms of their age, gender, income, ethnicity, etc.
- If your customer is a business, describe its location sales volume, industry, etc.

B. Customer Base

Analyze your customer base (all of your customers, i.e. parents). Answer these questions.

- What percentage of customers do you have in each service category (part time, full time, after school, infant)?
- Who are your biggest customers?
- What percentage (%) of your total sales do your top two customers represent?
- How dependent are you on these two customers?

C. Competition & Competitive Advantage

Answer these questions that describe your competition and compare your business with your competitors:

- Who is serving your same type of customer with similar services?
- Does your competition offer benefits that you don't?
- What are the advantages your business has over your competitors (personnel, marketing, financial strength)?
- What are the weaknesses of your business compared to your competitors?
- How do you promote your business to customers in a way that shows your services are different or better than your competitors' services?

D. Promotional Strategies

Answer these questions:

- How will you present your service to the consumer?
- What key benefits of your services do you want to promote the most?
- What promotional activities will you undertake in order to reach your target market? For ideas, check the section on marketing at page 47.

E. The Industry

The following section is for entrepreneurs who have researched their industry.

You can research the child care industry using your local Child Care Resource and Referral Agency, a Business Information Center, libraries, the Internet, etc.

- Describe the child care industry.
- Is the industry growing or declining and by how much?
- What are the major trends in the industry?

Section III: Business Challenges and Summary

A. Strengths

List the key specific strengths, which make your business successful (for example, location, one-of-a-kind product, unique service, etc.)

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____

B. Business Challenges

List the primary challenges your business faces (nearby competition; short shelf life of product/spoilage; one person business subject to illness; etc.) List a minimum of three.

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____

For each challenge, please explain briefly what you have done, or will do, to address it:

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____

Starting A Child Care Business: What steps do I need to take?

Starting a child care center can be a challenge. You are both starting a child care service and starting a business, and the process can sometimes seem complex. The following step-by-step plan will help you complete the process and identify for you the organizations available to help you along the way. You should be prepared to spend approximately nine months or more starting up your business and readying for your grand opening.

All of the child care and small business organizations that this start-up plan refers you to are located in the Directory at the back of this guide. You will need a phone book or other community resource to contact your local town or city departments, Chamber of Commerce, or local banks.

By completing your business plan you may have already thought through and answered some of the questions posed below or completed some the steps listed. The start-up plan is still an essential part of beginning your business. You can reference your business plan as you complete the following steps.

Start-Up Plan for Center-based Child Care

1. Begin by researching existing child care needs in your community. What child care programs already exist? Is there a shortage of child care for a particular age group or population? Is there a need for different child care hours or child care in a more convenient location? Your local Child Care Resource and Referral Agency (CCRR) can provide valuable information about your community's child care resources and needs.
2. Decide which age groups you want to serve. This will help determine which regulatory requirements your program must meet. Will your child care center serve infants and toddlers or only children older than two years and nine months? The Office of Child Care Services (OCCS) can provide information to help you make this decision.
3. Prepare feasibility worksheets with financial projections and assumptions to determine how much cash you have to invest in developing your center. Use the feasibility worksheets provided in this guide at page 34. For assistance, contact the Small Business Administration (SBA), your local Small Business Development Center (SBDC), or the Center for Women and Enterprise (CWE).
4. Create a business plan that describes your goals for your child care center and how you will meet them. Use the business plan provided in this guide at page 37. For assistance, contact the SBA, the Service Corps of Retired Executives (SCORE), your local SBDC, or CWE.
5. Decide if there are business, management or child development skills you would like to improve. Use the Directory at the back of this guide to contact organizations in your local area to find out about information, trainings and classes available.
6. Familiarize yourself with licensing regulations. Find out what requirements your program is expected to meet. Contact the OCCS regional office near you, or visit www.qualitychildcare.org to view state regulations for child care centers.
7. Look for property or an existing facility. Is the location convenient to families, major employers, schools or public transportation? Can the site meet the building code for the ages you want to serve? Will it meet the building code requirements of the Americans with Disabilities Act? Was it built after 1976 or must it be inspected for lead paint and perhaps de-lead? What renovations or modifications will be needed to meet state and local regulations? What are the likely zoning issues? Your local building inspector can help you answer these questions. You can find local government contact information at www.usacitylink.com/citylink/ma.
8. If you need to purchase or renovate the child care center, explore the options for financing the building or renovation of your facility. Check with banks to learn about their requirements for financing your potential site. Also, be sure to consult with your local SBDC and Chamber of Commerce for information about small business lenders in your area.

Next, look at the following checklist. The issues and circumstances you encounter will change the order in which you complete these steps. Also, you will see that some steps can be taken simultaneously. For example, you can draft written requirements and policies at the same time building renovations are underway. The entire process may take approximately nine months or more.

Start-Up Checklist for Center-based Child Care

- ☐ Contact the OCCS regional office nearest you to sign up for a potential provider meeting. OCCS licensors will provide a detailed overview of the licensing process.
- ☐ Consider other types of professional assistance you may need. Do you need an architect? An early childhood specialist? A lawyer? An accountant? Would you benefit from support or training offered by your local SBDC, CWE, or CCRR?
- ☐ Check with local planning boards to find out if a conditional use permit or other zoning permit is needed to develop a child care program at your chosen location. Call your town hall or go to www.usacitylink.com/citylink/ma.¹
- ☐ File your licensing application and application fee with OCCS. Your program will be assigned to a licensor who will provide assistance and guide you through the licensing process. The licensing application can be downloaded from the OCCS web site, www.qualitychildcare.org.
- ☐ Explore funding sources. Are there opportunities for grants, partnerships, business loans, or private investments? What fund-raising efforts can be used for start-up costs? Your local SBDC, CWE, CCRR or SCORE can help you explore your options.
- ☐ Find out how to make subsidized child care work for your business. Get information about the child care that OCCS and other agencies purchase for eligible families through contracts with providers and vouchers parents can use at a child care provider of their choice. Your local CCRR can assist you. You can also obtain information on contracting with the state at www.comm-pass.com
- ☐ If you plan to use an existing facility like a church or a school, a written agreement to address shared use of space, equipment, time, parking, and other areas of overlap should be prepared.
- ☐ Check for child care business names that may already be registered under another child care facility by contacting the Massachusetts Secretary of State's office at 617-727-9640 or by visiting www.corp.sec.state.ma.us. Then, choose a name for your own program.
- ☐ Check to see if you should file business documents and notifications with the Secretary of State's office and your town or city (usually with the Clerk's office).
- ☐ Create a bank account in your business' name. Explore the options banks offer for business accounts.
- ☐ Prepare a budget and open a set of books. What portion of the program's income will come from parent fees? Will some children be employer-supported or funded through state or local agencies? What are other likely sources of income? What are the anticipated expenses (salaries, benefits, substitutes, taxes, licensing fees, mortgage, utilities supplies, equipment, publicity, insurance, transportation)? How much money is needed for operation until the program can generate sufficient income to cover expenses? Contact your local SBDC, SCORE or CWE for assistance. It is also a good idea to consult with a bookkeeper or accountant.
- ☐ Find out about tax requirements and paying business-related taxes. Check with your local CCRR and SBDC for training opportunities and information. An attorney, the Massachusetts Department of Revenue at

¹ MGL, ch. 40A, sec. 3 does not allow cities and towns to prohibit child care centers or require special permits. However, cities and towns can reasonably regulate building size, setback, or parking. This law does not apply to the City of Boston.

www.dor.state.ma.us and the Internal Revenue Service at www.irs.gov are also helpful sources of information.

- ☐ Consider the types of insurance you may need (liability, health and accident, fire and theft, vehicle). Contact your local CCRR for information about insurance providers. You should obtain insurance before any work is done on the premises.
- ☐ Obtain a building permit from your local building department. If necessary, also get your building plans approved by local fire officials. If you have questions about how staffing and other OCCS requirements might affect your building plans, arrange to have the plans reviewed by an OCCS licensor.
- ☐ Arrange for building repairs, additions and/or modifications that may be planned. When the work is completed, submit the required inspection certificates to OCCS.
- ☐ Establish your program's administrative structure. Write a job description for yourself and for all staff. If tasks will be divided among two or more people, make sure individual responsibilities are clear and well documented.
- ☐ Contact your OCCS licensor to discuss your timeline for opening your center and to schedule an appointment for your licensing study.
- ☐ Prepare marketing materials for your child care center. Get these materials to prospective customers to advertise for children and begin the enrollment process. For marketing ideas, see page 47. Also consult your local CCRR, SBDC, CWE or SCORE for help developing marketing materials.²
- ☐ If you are not going to be the OCCS-qualified Administrator, hire someone who is at least three months prior to opening. She will help you develop an age appropriate program for the children in your care, as well as accomplish the remaining tasks.
- ☐ Draft policies and procedures for your child care business. Check with your OCCS licensor to learn about requirements which may include a personnel policy, health care policy, child guidance plan, social service referral plan, emergency plan, activity plan, etc. Sample forms and other information to help you create these documents can be obtained from your licensor or from the OCCS web site at www.qualitychildcare.org.
- ☐ Draft a fee collection policy so that parents will have a clear understanding of their rights and obligations. Outline when fees are owed, consequences for non-payment, and parents' rights and responsibilities when it comes to payment. Contact your local OCCS or CCRR office for guidance.
- ☐ Survey child care provider salaries in your area. Your local CCRR can provide some helpful information.
- ☐ Prepare job descriptions and salary ranges for all employees.
- ☐ Prepare contracts for all employees, including all administrative staff.
- ☐ Collect personnel materials and policies into an employee's handbook. The OCCS website, www.qualitychildcare.org provides sample policies.
- ☐ Advertise for and interview potential staff members. Be sure to hire enough staff to meet the staff to child ratio requirements for your initial licensed capacity. Many programs start small and add staff as they enroll more children.
- ☐ Establish records for each staff person including documentation of their criminal background check (CORI), teacher qualifications, good health, first aid training, and other requirements. CORI paperwork can be obtained by visiting the OCCS website, www.qualitychildcare.org.
- ☐ Plan for emergencies and talk to other child care providers about common problems they experience and how they

² MGL c. 28A s.14 prohibits advertising by unlicensed child care facilities. OCCS' attorneys can explain permissible types of publicity and when in the licensing process publicity it can occur.

handle them. For staff shortages, holidays and vacations, plan ahead and consider lining up substitute child care providers. Your OCCS licensor can help you identify important issues, create a plan, and provide resources.

- ☐ Prepare forms for children's records according to OCCS regulations. Sample forms are available from your licensor or at www.qualitychildcare.org. If you develop your own forms for children's records make sure they gather the same information as the sample forms. You may add other forms you feel would be useful.
- ☐ Prepare a contract form to be signed by you and a child's parent or guardian at the time of enrollment.
- ☐ Conduct orientation and in-service training for employees. You can obtain many training opportunities and materials at your local CCRR.
- ☐ Collect required notices and other information for parents in a parent handbook.
- ☐ Order equipment and supplies. Names of equipment supply companies can be obtained from your local CCRR.
- ☐ Schedule parent orientation meetings.
- ☐ **Get ready for your Grand Opening and begin to care for children.**

Marketing: How can I spread the word and build my business?

Marketing is the process of advertising your business to potential customers to encourage them to use your child care services. The purpose of marketing is often a combination of providing information that is useful to the customer, creating a positive impression of your services, and making your specific child care service memorable.

As a business entrepreneur, you have many options available to you when it comes to marketing. You can choose different ways to communicate about your business - from business cards and brochures to magnets and doormats.

You can also choose different programs or businesses to help you with marketing. Among your options is to create marketing materials yourself on a personal computer. A helpful tool is located on the Office of Child Care Services (OCCS) website, www.qualitychildcare.org. On that website, you can select the type of marketing tool you want (say, a flyer or business card), type in basic information about your business, and generate that product. Alternatively, you can use a local printing shop or advertising agency to generate your marketing materials.

The Service Corps of Retired Executives (SCORE), the Small Business Development Centers (SBDC), the Business Information Centers (BIC), and the Child Care Resource and Referral Agencies (CCRR) can provide guidance and suggestions when it comes to your marketing options and strategies. Contact them by using the information provided in the Directory.

As you prepare to market to your customers, think about how to get the most out of your efforts. Answer the following questions:

1. What is my objective? (For example: Am I a new business looking to establish my reputation? Am I in a competitive area and looking to distinguish my business from others nearby?)

2. Whom am I looking to reach? What are my customers like?

3. What marketing tools or items will effectively reach my customers?

4. How will I get my marketing materials to my customers?

5. What information about my business is most important to my customers? (For example: Is my customers' top priority to have an educational environment for their children? Do my customers want flexible hours? Do my customers care about location?)

Next, take time to decide on one or more core features of your marketing campaign. These are the names and ideas that customers will come to associate with your business over time. Consider:

- **Name your business.** A business name brands your child care service so that customers come to distinguish your business from similar ones in the area, in the same way that a brand name might help you choose one clothing detergent over another. Naming your business creates value as more people refer to "Sunny Day Child Care" than "the nice lady who has the place over on Summer Street." A business name is also a form of communication. For example, a business name can communicate a professional attitude to your customers and your staff. It can also communicate something specific about

your business, such as the location, age of the children you serve, or your expertise as a child care provider.

- **Use a logo or color scheme.** It is important to use a particular logo or color scheme on all of your materials. Associating a picture or color with your business will help customers to identify your business and more quickly recall positive information about your child care services. To see how this works, picture a gas station near your home. What colors or symbols does that business use to help customers recognize and distinguish its brand of gas? Although it is not necessary to have a logo or color scheme, using them can make your business more identifiable and strengthen your business reputation.
- **Use a tag line.** A tag line is a short statement or slogan that conveys information about your business and is usually included in your marketing materials along with your business name. Suppose you name your business "Sunny Day Child Care." If you decide that the most important features of your child care business are your location and your positive environment for children, you can create a tag line that highlights these qualities. Your business name and tag line might be "Sunny Day Child Care: a happy place on Summer Street." If, on the other hand, you want to emphasize that you provide a safe, educational environment for children, your business name and tag line might read "Sunny Day Child Care: a safe place to learn and grow." A tag line is not necessary, but it is a useful way to communicate important information about your business to your customers.

Marketing Materials

Next decide what marketing materials you need to create in order to communicate this information to your customers. As you select your marketing materials, ask yourself: What kinds of marketing materials will reach my customers? How will I get these marketing materials into their hands? What is my budget for marketing? Remember, www.qualitychildcare.org offers a cost-effective way to create these materials on a personal computer.

Below is a list of marketing materials that can spark your imagination and help you provide thorough information to your customers. To start, you may want to select a few items from the list. But every business is different. If you are located in a competitive area, where parents have many child care providers to choose from, you may need to promote your business more aggressively. You (alone, or with a small business advisor) are the best judge of your marketing needs. Also, since your marketing needs will probably change over time, you can revisit this section and make changes to your marketing plan in the future. Review the following list of marketing materials and the types of information you can provide via each item. Then select those that meet your marketing needs.

Three-fold Brochure This advertisement allows potential customers to review information about your business and your services at their convenience. Aim to make it sturdy, attractive and informative. It should include: business name, tag line, logo, address and directions, phone number, hours of operation, special services offered, and a short list of competitive advantages.

Open House Flyer If you want to invite potential customers to visit your program on a certain date and time so they can look around and ask questions before signing up their child, a good way to advertise is to create a flyer inviting them to attend your "open house." The flyer should include the following information: business name, tag line, logo, address and directions, phone number, date of event, time of event, and a short list of competitive advantages. Also, you can hand out additional marketing materials at the event itself.

Business Flyer Consider leaving a simple, professional flyer that interested parents can pick up at popular local businesses. You can include the following information on one or both sides of a standard (8.5 x 11) piece of paper: business name, tag line, logo, address and directions, and a short list of competitive advantages.

Print Ads Consider advertising your child care business in a local newspaper. Find out the newspaper's rates and sizes for ad space and then design your advertisement according to your budget and the paper's specifications. Be sure to include: business name, tag line, logo, location, phone number, and a contact person.

Direct Mail Postcards Consider creating and using direct mail postcards if you are working to increase your number of customers. If you have identified a group of potential customers and you have their addresses, mail or drop off postcards advertising your business. Check with your local post office about rates. Include the following information on your direct

mail postcard: business name, tag line, logo, address, phone number, a contact person, hours of operation, special services offered, and a short list of competitive advantages.

Door hangers Another way to let people in your neighborhood or apartment building know about your program is to create a door hanger. This item can be placed on doorknobs and provide basic information including: business name, tag line, logo, address, phone number, a contact person, hours of operation, special services offered, and a short list of competitive advantages.

Business cards You can create cards for your business or for yourself as owner of your business. The front of the business cards should include: business name, tag line, logo, address, phone number, and an email or web address (if relevant). You might also consider putting additional information on the back, such as: hours of operation and special services offered.

Website If you are computer-savvy, or can find someone who is, you can create a web page that provides current and potential customers with information about your child care business. On the web, you can convey information in many ways, including through text, color, and pictures. As you plan your website, think about including: business name, tag line, logo, color scheme (if relevant), location, phone number, hours of operation, special services offered, a short list of competitive advantages and pictures (with parent permission).

Enrollment Packet Creating a standard enrollment packet for your business can help ensure that you have necessary information on every child, and that you remember to communicate important information to their parents. Handing or mailing an enrollment packet to parents also sends the message that you run a professional child care service (Visit www.qualitychildcare.org for sample enrollment forms).

Direct Mail Envelopes Many businesses send correspondence to current or potential customers in envelopes that have their business name and address printed on the envelope. Some also include the business logo. Think about the mail you receive. Chances are, the bill from your electric company or credit card company arrives in a direct mail envelope. Consider having envelopes printed for your business too.

Letterhead Similarly, many businesses send letters on stationery that is made especially for that business. This is another way to convey to parents that you run a professional child care service. Business letterhead typically includes: business name, tag line, logo, address, and phone number.

Business Checks Be certain to print a separate set of business checks even if you use a personal account. This is another way of making people aware of your service and communicating the professional nature of your business. It is also a helpful way to keep your business expenses and personal expenses separate. Your bank can help you get this done.

Magnets A way for parents to keep information about your child care business handy is to put a magnet on their refrigerator. Consider including the following information: business name, tag line, logo, address, phone number, contact person such as you or a staff member, and an email or web address.

Newsletters Although it may be tough to find the time to create a monthly newsletter to send home to parents, or to put on your website, consider the benefits of doing so. A newsletter can help parents better understand your services, keep them informed about their child's experiences during the day, and update them on improvements or additions you may have made with articles and pictures. A newsletter can also help to create a sense of community between your families and energize the children. Consider a standard header with business name, tag line, logo, color scheme, and title.

Business Signs A helpful way to let customers know about your services and your location is to place a sign on your lawn or near your apartment. Check with your local town or city hall about restrictions on size and placement of the sign, and if you rent, get permission from your landlord too. A business sign could include: business name, tag line, and your logo.

Welcome Mat A welcome mat with your child care business name or logo can be a nice way to communicate your professionalism and reinforce your business brand as parents enter and exit your home.

Promotional materials (keepsakes) There are many different kinds of promotional materials that you can offer to parents and children. Be creative. Think about what your customers will like and use. Common promotional materials for adults include pens, coffee mugs and T-shirts with a business name and logo. Promotional materials for kids include pencils with a business name and logo, or coloring books about their child care experience at your family child care business.

Record Keeping: What papers should I keep on file?

Paperwork is an important and necessary part of operating a child care business. You are required by the Office of Child Care Services (OCCS) to keep certain documents on file, and it is in your interest to take the time to organize your records. Keeping your documents organized will help you during your child care licensing review. It will also enable you to provide your small business advisor with relevant information that can be used to help you strengthen your business or apply for a small business loan. Finally, documented business expenses are deductible for tax purposes.

OCCS requires that you create some policies and procedures for operating your family child care business, like plans for emergencies or activities. Other policies and procedures can also be helpful. By having written policies that can be shared with parents, your customers will better understand your rules about fees, attendance, vacations and holidays, and what happens when a child leaves your care. Some providers find it useful to organize their policies and procedures into a binder for easy reference.

OCCS requires you to keep the following business and children's records on file for at least five years:

- Every child must have a complete record that provides you with the information you need to care for him. You can find sample forms and a helpful checklist on the OCCS web site, www.qualitychildcare.org. As you will see, a child's record must identify the child, describe his health history, and list emergency contacts. Records should also include background information to help you transition a child into your care.
- You should create consent forms for parents to sign giving you permission to do certain things for, or with, their children. Consent forms are very important because they are a way to communicate with parents and can protect you and your staff in the event of a lawsuit. Keep all signed consent forms on file. You must get a parent's consent to provide emergency first aid, to take the child on a field trip, to allow anyone other than the custodial parent to pick-up the child from your child care, or to publish a child's picture. Sample consent forms are available at www.qualitychildcare.org.
- OCCS requires that you keep log sheets that document your compliance with certain regulations. Among the things you need to record on log sheets are daily attendance, the use of assistants, the administration of medication, the conduct of evacuation drills, and the testing of smoke detectors. Sample forms can be downloaded from www.qualitychildcare.org.
- You are also strongly encouraged to keep your financial records in order. Keep all documents that show the financial transactions involved in operating your child care business. This includes documents that show how much money you have coming in and going out, including all receipts, invoices, and checks associated with your business. Keeping these records in order will help you file your taxes correctly, allow you to share important information with your small business advisor, and will strengthen your eligibility for a small business loan. You should be able to answer the following questions with your financial records:
 - How much revenue, or money coming in, did my business receive this year? Keep a record of any contract or voucher funds that your business received. Also keep a record of parent fees you have collected, including who paid, when they paid, who owes you fees, and how much they owe. It is a good idea to keep a record of individual customer accounts.
 - What did it cost to operate your family child care business for the year? Who did you pay or owe for these expenses? Keep a detailed record of your costs including what you spent on different types of expenses. For example, record your expenses separately for art supplies, food, toys, assistants, training, rent, electricity, office supplies, etc.

If you have questions, or would like professional advice on how best to organize your records, you may contact your OCCS licensor, local Small Business Development Center (SBDC), Service Corps of Retired Executives (SCORE), Child Care Resource and Referral Agency (CCRR), or Family Child Care System.