Community Investment Collaborative for Kids

Resource Guide

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Community Investment Collaborative for Kids

The ABCs of Child Care

Community Investment Collaborative for Kids Resource Guide

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Contents

"The return on investment from early childhood development is extraordinary, resulting in better working schools, more educated workers, and less crime."

Arthur Rolnick, Federal Reserve Bank of Minneapolis

Introduction

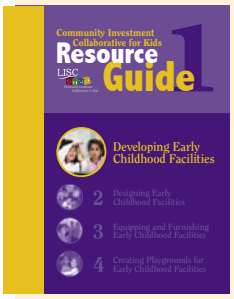
For decades, child care centers have provided a safe and nurturing place for parents to leave their children while they go to work. Child care still plays that vital role for families with young children today.

However, new research findings have led many to conclude that programs with highly qualified staff and a focus on children's developmental needs can help level the academic playing field for disadvantaged children. Program evaluations and new research on brain development have supported the case for what is increasingly called "preschool," "early education" or "early childhood education." [1] Studies show that the benefits of high quality programs can last well into adulthood: "graduates" of these programs complete more years of schooling, are less likely to engage in criminal activity, and earn more as adults on average than their counterparts in lower-quality programs. These findings have prompted school districts, states, child advocates, business leaders, school reformers and philanthropists to focus on making more high quality programs available to children. And because of the evidence that children gain valuable cognitive and social skills from quality early education, all parents, not just working parents, are seeking these programs for their children. In a quickly unfolding trend, nearly forty states now sponsor preschool for at least some children, up from just ten states in 1980.

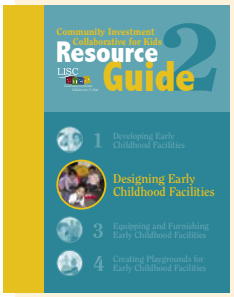
These developments have important implications for community developers. First, child care has always been an important community service, but now it is recognized

[1] *This guide uses the terms "child care," "preschool," "early childhood education" and "early education" interchangeably.*

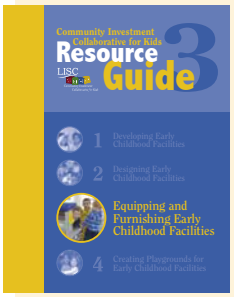
NOTE: For detailed information on all aspects of child care center design, development and financing, see CICK's complete Resource Guide series, described below.



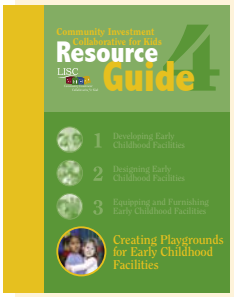
VOLUME 1 on Developing Early Childhood Facilities identifies all of the steps in the real estate development and financing process, and helps child care providers and their partners overcome the hurdles that every project faces. Information is provided on carrying out early feasibility and planning activities, building an appropriate project development team, selecting and acquiring a site, raising money, and completing construction.



VOLUME 2 on Designing Early Childhood Facilities highlights the important connection between well-designed space and high quality programming, and helps child care providers, community development corporations (CDCs), and their architects plan effective spaces for young children. The guide includes an overview of design principles, a tour through each functional area of the center and information on materials, lighting, security, urban settings and accessibility.



VOLUME 3 on Equipping and Furnishing Early Childhood Facilities will help child care providers and others select and arrange classroom furniture and equipment to create a child-safe, child-friendly, functional and attractive physical environment.



VOLUME 4 on Creating Playgrounds for Early Childhood Facilities will help with the planning of a child care center's outdoor space to achieve a successful environment for young children. It suggests equipment and materials that support a range of activities that children can enjoy outdoors.

for providing even greater benefits than previously thought. Second, as an increasing number of families seek to enroll their children, there will be a need for more facilities. Equally as important, these centers need to be specially designed to facilitate the delivery of high quality programs. This means having sufficient square footage, plenty of natural light, bathrooms next to each classroom and fixtures mounted at a child's height, among other features.

Community developers and others who choose to get involved in child care face a variety of challenges. For one thing, most child care program operators, particularly those serving lower-income communities, tend to be thinly staffed, with directors who are trained as educators, not business managers or real estate developers. In addition, child care organizations typically run on thin margins and have access to few specialized sources of capital for facility development. The lack of management capacity and real estate expertise in the industry, coupled with a scarcity of funding resources, can create a serious bottleneck in expanding the supply of quality child care in the communities that need it the most. Despite these hurdles, community development organizations with real estate development and financing expertise can be ideal partners for the child care field and can help expand and improve neighborhood services by acquiring and developing new sites, renovating existing space for child care use, and being a good landlord, among other roles.

This guide was created to introduce community development organizations to the child care field, and help them partner effectively with child care organizations to build or improve their facilities. It includes information about different types of child care programs and settings; steps for finding a suitable child care program operator; an overview of operating costs and revenue sources; and potential roles for community developers and the challenges they face when developing child care facilities.

The Child Care Landscape

Early care and education programs come in all shapes and sizes and rely on a variety of funding sources including parent fees, various federal, state and local subsidies, and philanthropic support. Some offer full-day, full-year services, while others operate part-day or on a school-year calendar. Still others fill gaps, providing "wrap-around" child care seasonally, during a parent's night shift or during before- and after-school hours.

As described in the chart below, child care services are provided in a range of settings, including homes and centers. The regulations and standards for these services are established by states and localities, and can vary widely.

TYPE OF CARE	INFORMAL CARE*	REGULATED FAMILY CHILD CARE	CHILD CARE CENTERS

Who Provides the Service	A relative, friend or neighbor or an unlicensed child care provider.	An individual caregiver, sometimes with an assistant, depending on the number of children served.	• Private nonprofit organizations such as community-based or faith-based agencies.
			• For-profit businesses:
			  • Individual proprietorship.
			  • Small business ("mom and pop").
			  • Large for-profit chain (not prevalent in lower-income neighborhoods).
			• Public school districts.

Setting	The caregiver's private residence.	The caregiver's private residence.	A licensed facility such as a special purpose community facility, school, church or office building.
Size	Informal providers generally care for a small number of children, often in addition to their own children.	In most states small family child care homes can serve up to six or eight children, in some cases including the provider's children. Large homes (where allowed by state licensing) typically serve up to 12 children. However, large homes can serve as few as seven and as many as 20 children depending on the state.	Center-based programs serve a minimum of 12 children, but some serve hundreds of children. More typically centers serve 60 - 120 children. Relatively small stand-alone centers can be less economically efficient unless affiliated with a larger program or another nearby site.
Characteristics	• Least expensive form of care. • Least regulated form of care; generally exempt from regulation. • Generally considered to be the least stable form of care. • Most widely used form of care, especially in lower-income neighborhoods.	• Children are generally cared for in mixed-age groupings allowing siblings to stay together. • Not all states allow large homes. • Less regulated than centers but still have oversight from state licensing. • Large homes require a second adult present as an assistant.	• Most regulated form of child care. • Most child care centers are licensed by the state; some programs operated by religious organizations or the public school district may be exempt from state child care licensing. • Most stable form of child care. • Most expensive form of child care. • Can operate a single child care site or multiple sites and services.

**Also known as "Family, Friend and Neighbor" care or "Kith and Kin" care.*

Finding an Appropriate Child Care Partner

WHY SEEK A PARTNER?

Operating a child care program can be a complicated undertaking for community development organizations that do not have expertise in providing child care. Finding a child care partner with a strong track record of providing quality services will increase the likelihood that your project will succeed. A good partner will bring some or all of the following to the table:

- An understanding of the child care market, including local competition, enrollment patterns, and current trends.
- Expertise in program start-up, outreach to families, recruiting and training staff, and marketing the program.
- Experience with ongoing program operations and finances, and a history of stable financial management.
- Ability to secure additional funding sources, such as state subsidies, local foundation grants, or United Way support.
- Prior relationships with state and local regulating agencies, social and human service providers, local schools, etc.
- A good reputation with families and other agencies in the community.
- Ownership of real estate assets such as land or a building.
- The potential to mount a capital campaign, which might include large one-time grants from foundations, an earmark in the state budget or an award of Community Development Block Grant (CDBG) funds.

NOTE: Because of the responsibility that providers have for the safety and cognitive development of the children in their care, the highly regulated nature of the child care business, and the strict compliance burden that comes with accepting public operating subsidies, there is a strong argument for community developers to partner with established child care organizations rather than becoming program operators themselves.

SELECT A CHILD CARE PARTNER FIRST

Selecting a child care partner will probably be the most important decision you will make. For many reasons, it should also be among the first decisions you make.

- Securing the commitment of a well-managed, high-quality child care program should give you confidence that there is a market for the new center. An experienced child care organization will understand local supply and demand for early education services as well as the operating subsidy environment. Both of these factors are essential to determining financial feasibility.
- An experienced and thoughtful child care provider can help you communicate with the project architect. Their insight regarding programmatic needs and how the space can work most effectively can be invaluable.
- Your partner should be able to help raise capital for the project and may have access to sources outside of the community development field.
- Child care programs need time to plan an expansion or relocation. As the developer, if you postpone selection of a child care partner for too long, you increase the risk of having a vacant building.
- The "right" partner – one that is recognized for the quality of its program and the ability of its management – will lend credibility to your case that the project is feasible.
- Working together from the beginning will result in a stronger, more productive partnership.

HOW TO FIND A POTENTIAL PARTNER

- **Word of Mouth:** In many cases, the child care market in a particular community will have a strong local network, so word of mouth is often an effective way to collect information and get referrals to program directors who run strong programs.
- **Child Care Resource and Referral Agencies:** Most communities have a Child Care Resource and Referral agency, or CCR&R. These agencies analyze and report on local child care supply and demand, offer training to child care providers, and help parents find and evaluate child care options. Many CCR&Rs also administer child care subsidies. You can find your local CCR&R through NACCRRA **(www.naccrra.org)**, the national umbrella organization for these agencies.
- **Voucher or Contract Management Agencies:** These are the state agencies that receive and administer the child care development block grant, the primary source of child care operating subsidies. You can find them by contacting the lead child care agency in your state. The National Child Care Information Center provides contact information for the lead agencies in each state: **http://nccic.acf.hhs.gov/statedata/statepro/index.html**.
- **Provider Groups:** Most child care providers belong to at least one professional group, such as the local affiliate of the National Association for the Education of Young Children (NAEYC), accreditation support projects, community councils on early care and education or directors' support groups. You can find these groups through the local CCR&R, or by identifying the local NAEYC affiliate at **www.naeyc.org**.
- **Community Support Organizations:** The local United Way or other child advocacy agencies may have contacts in the child care community, either through funding relationships or collaborative children's initiatives.

STEPS FOR EVALUATING POTENTIAL PARTNERS

Be sure to use a careful and thorough process to evaluate potential child care partners. Create a detailed list of criteria, and collect enough information to make an informed decision. Involve your key staff and board members in the selection process.

It is especially important to visit any child care programs you are considering as a partner and interview the program director. Once you have narrowed your list of candidates, be sure to arrange to meet with teachers, administrative staff and board members; observe classrooms while the program is in session, and get a feel for its organizational culture, educational philosophy and professionalism. When observing classroom activities, teachers should be engaged with the children, and children should be happily involved in activities rather than wandering aimlessly or misbehaving. If you feel unqualified to judge the quality of the program, consult with an early childhood professional. Local community foundations, the United Way or technical assistance providers may be able to identify qualified experts. They can readily judge a program's major strengths and weaknesses by the layout of classrooms, teacher-child interactions and other easily observable factors.

One way to search for potential partners is to issue a Request for Proposals (RFP). You may want to issue the RFP to a number of pre-screened local providers. These candidates could be selected based on confidential interviews with key informants from the child care and philanthropic communities. On the other hand, you may learn through these interviews that pre-screening could be controversial: other providers might see the process as unfairly favoring certain organizations. Rather than risk controversy in the community, you might consider sending the RFP to all providers in the area. A complete list of all licensed child care centers by zip code should be available from the state licensing agency.

If you decide to issue an RFP for a child care partner, be sure to include a description of the project, the goals you hope to achieve, and the services you are seeking. You should also note whether the space you are providing will be available at market rate or on a subsidized or even no-cost basis. Applicants should submit information on their mission, track record providing child care services, finances, staff and board.

WHAT TO LOOK FOR IN A POTENTIAL PARTNER

FINANCIAL STRENGTH

Ideally, a community developer would seek to partner with a program operator who is financially strong and able to pay market rate rent or qualify for a mortgage. But given the high cost of operating a quality child care program, and the relatively low level of state reimbursement for services for low-income families, this type of partner would be extremely rare in the early care and education field. As a result, while financial strength should be considered, it should not necessarily be the most important factor in your decision. In most cases the project's feasibility will depend on creative financing and equity raised from governmental and philanthropic sources.

Instead, a community developer should assess the organization's financial stability, and make sure the provider's financial condition, history and systems are adequate, and the organization is not at risk of ceasing or dramatically curtailing its activities. To assess your prospective partner's financial stability, look at the following:

- **Sufficient cash on hand to support ongoing operations and manage plausible contingencies.** Examine trends over a period of years, taking into account the seasonal cycle of the business (for example, many states are slow to reimburse providers or delay payments at the beginning or end of the fiscal year). If cash flow is a problem, does the organization have a line of credit it can tap? You should satisfy yourself that the provider will not face a cash crisis that could force it to close its doors or sharply reduce operations.

- **More revenues than expenses over time.** While the provider might run a deficit from year to year, over a period of three to four years the organization should have a cumulative net surplus that exceeds their cumulative net losses, even if the surplus is very small.

- **Good financial systems in place.** Competent fiscal staff, acceptable accounting procedures and a sound financial system that generates timely statements will guard against financial crises and help an organization respond effectively to adverse changes. Your due diligence should include questions about how the organization handles its bookkeeping, the role of an external accountant, and the presence of a board member knowledgeable about finance who regularly reviews financial statements.

LEADERSHIP AND MANAGEMENT

Look for the following characteristics:

- A track record operating and managing a child care program of similar size and scope as your project.

- A strong and experienced director and board leadership who can mobilize internal and external support for the project.

- A senior manager with sufficient training and experience in early childhood development to direct a high quality program and provide the supervision and support needed by program staff.

- A good reputation in the local child care funding community and the ability to secure adequate operating subsidies and support for the project.

JUDGING QUALITY

For many community development organizations it can be difficult to assess program quality by visiting centers. You can also seek information on a program's national accreditation status and Quality Rating Scores, in states that have them.

ACCREDITATION:

Don't rely on compliance with state licensing as an indicator of quality, since these regulations set only minimum requirements for staffing, facility size, health and safety, etc., not the optimal requirements for best outcomes.

So, if licensing is not a good indicator of program quality, how do you go about identifying potential high quality programs? For one thing, you can ask if they are accredited. Accreditation is a voluntary system of quality standards that exceed minimum state licensing standards and require a commitment to ongoing evaluation and improvement. Securing accreditation is one way that programs can demonstrate to families and funders that they are committed to quality. Child care centers, family child care homes and after-school programs all have accreditation systems:

- **CHILD CARE CENTERS:** The National Association for the Education of Young Children (NAEYC) administers the most widely recognized accreditation process for child care centers, but there are several others as well. **WWW.NAEYC.ORG**

- **FAMILY CHILD CARE:** The National Association for Family Child Care (NAFCC) sponsors an accreditation process for family child care homes. **WWW.NAFCC.ORG**

- **SCHOOL AGE CARE:** The National AfterSchool Association (NAA) – formerly the National School Age Care Alliance – operates an accreditation system for school age programs. **WWW.NAAWEB.ORG**

QUALITY RATING SYSTEMS (QRS):

If your state has a Quality Rating System (QRS) for child care, you can ask providers whether they participate in the system, and if so, determine their current rating.

The QRS is a tool to evaluate the quality of a child care program. Often compared to hotel or restaurant star or diamond rating systems, a QRS rating can be used as a guide for parents to select quality child care options. It is also a benchmark to help providers improve their services, and an accountability measure for states or localities to allocate funding and resources. State QRS programs use symbols such as stars or seals to signal different levels of quality. In some cases states use a "tiered reimbursement" system to award higher subsidy payments to providers who achieve a higher level of quality based on their QRS rating. Most QRSs include standards for child care centers, family child care homes and school age care. Currently 16 states have developed a QRS and many others have plans underway.

BUSINESS FEASIBILITY IN THE NEW CENTER

When you are seeking to increase child care capacity in a local community, it is important to make sure your child care partner can make a persuasive case for the viability of a new or expanded business. Ask for the following information:

- Evidence of demand for the provider's services obtained through a market study, community assessment or other reliable tool.

- Multi-year future financial projections demonstrating sufficient operating income to deliver program services, cover administrative and operating costs, and repay any debt on the project.

- A plan for marketing the program to achieve projected enrollment.

- A plan for recruiting and retaining enough qualified professionals to support an optimal staffing pattern.

PROGRAM QUALITY

A commitment to operating a high-quality early care and education program can be demonstrated by:

- National accreditation or progress toward accreditation *(see box on Judging Quality)*.

- Participation and high ranking in the state's Quality Rating System (QRS) if your state is implementing one *(see box on Judging Quality)*.

- Staff with appropriate education, experience and training.

- High staff-to-child ratios.

- Small group sizes in classrooms.

- Adequate teacher wages.

- Low staff turnover.
- Well-equipped classrooms with developmentally appropriate furnishings, equipment and learning materials.

OTHER CONSIDERATIONS WHEN CHOOSING A PARTNER:

- **Community Connections:** Find out what role the program plays in helping families gain access to comprehensive services, connect with other families, and plan for their children's future education. Some child care centers, especially those affiliated with larger multi-service agencies, offer a range of supportive services to families, such as case management, health care, nutrition programs, etc.
- **Shared Vision:** Make sure the provider shares your commitment to serving the community – in particular to serving low-income families who qualify for public child care subsidies.

The Role of Community Developers

Because of the compelling link between child care and neighborhood revitalization, community developers around the country are pursuing strategies to improve access to high quality child care for local residents – both to support working parents, and to provide children with a high quality child development experience. Community developers have also realized that child care services located in or near housing can enhance a housing development and lead to broader community benefits.

When it comes to developing facilities, child care programs face two major challenges: 1) too little revenue to support the cost of a high quality center; and 2) directors who were trained as educators, not real estate developers. It is no surprise then that programs often shoehorn themselves into church basements, converted apartments and similar low-cost settings. These environments make it difficult to provide high quality services for young children.

As illustrated in the following examples from around the country, community development corporations (CDCs) use their community knowledge and real estate and financing expertise to play a variety of roles in the development of child care facilities. CDCs and their child care partners can fashion their own mix of ownership arrangements and allocation of real estate development responsibilities depending on local circumstances, unique timing, specific financing possibilities, site availability and organizational abilities. However, success will also depend heavily on the mutual commitment of the partners to each other and to the project.

CDCs often acquire and develop property and then lease out space to a child care partner, sometimes at concessionary rates.

CLEVELAND, OH

In Cleveland, Ohio, the **UNION MILES DEVELOPMENT CORPORATION (UMDC)** included child care in its comprehensive neighborhood development plan for Miles Park. Along with housing development and repair, and community safety initiatives, the CDC acquired the long-vacant and historic Carnegie Library. The renovated facility houses a child care center for 80 children, a children's reading room, and office space. In this case the developer linked up with Oakfield Child Development, Inc. to help design the space and run the program. UMDC owns the building and leases the child care space to the provider. The CDC was able to bring funding from the City of Cleveland as well as Historic Tax Credits to this project.

THE BETTER HOUSING COALITION (BHC), an experienced regional nonprofit developer based in Richmond, Virginia, acquired a large distressed Section 8 housing project from HUD and redeveloped it into a 45-acre service-enhanced community with 500 housing units and 50,000 square feet of retail space. Since many of the units housed young families, the redevelopment plan included a 13,400 square foot child care center for 142 children. Without child care experience of its own, Better Housing partnered with a well-respected child care agency, Friends Association for Children. Working together to raise the funding for the facility, the CDC developed the center for Friends, which operates the program. Since this facility was developed as part of a new housing project, the CDC was able to bring substantial capital to the table from the U.S. Department of Housing and Urban Development and the Community Development Block Grant program.

RICHMOND, VA

WOONSOCKET, RI

NEIGHBORWORKS BLACKSTONE VALLEY in Rhode Island is implementing a comprehensive plan to transform the once blighted and crime-ridden Constitution Hill neighborhood of Woonsocket into a stable and attractive place to live and work. When NeighborWorks decided to address the neighborhood's child care needs, it partnered with Connecting for Children and Families (CCF), a well-respected community-based nonprofit with child care experience. The CDC completed the development of a new 11,000 square foot child care center for 110 children, operated by CCF. For 30 years the former Hope Street School was boarded up and deteriorating. The CDC recognized that a reuse plan for the school was critical to the revitalization of the neighborhood, and saw the need for additional child care services for resident families. No child care center could afford the market-rate rent required to support the renovation cost, so the CDC secured a variety of grants, raised tax credit equity and lined up favorable debt.

TRENTON, NJ

In Trenton, New Jersey **ISLES INC.** – an experienced CDC – developed a 40-unit low-income housing development using the federal Low Income Housing Tax Credit program. Like other affordable housing developers, Isles recognized that residents would need child care. It set aside 7,500 square feet adjacent to the housing for a new child care center. Joining forces with the Puerto Rican Community Day Care Center (PRCDCC), a program operator, Isles renovated the building exterior, provided parking, and gave the operator a 15-year lease at $1 per year. PRCDCC assumed responsibility for fundraising and build-out of the new center. In this way, Isles was able to support the project but limit its financial commitment.

While most community developers build local child care capacity through center-based programs, that is not the only way. NeighborWorks Blackstone Valley in Rhode Island also spearheaded the development of family child care homes.

WOONSOCKET, RI

NEIGHBORWORKS' child care partner, Connecting for Children and Families (CCF), operates a variety of child care programs. One is a "family child care network" which provides administrative services, training and technical assistance to women who run small child care businesses in their homes. Such businesses can fill gaps in the market for affordable infant and toddler care and provide flexible hours for shift workers. However, landlords often prevent tenants from operating these businesses because of concerns about noise, wear and tear, and liability. With input from CCF on design, the CDC included four specialized units for family child care providers as part of a 19-unit Low Income Housing Tax Credit project. CCF helped the CDC identify family child care providers to occupy the units and offered technical assistance in setting up their operations. These family child care businesses now provide care to 30 neighborhood children.

Sometimes a CDC cannot or does not want to acquire or own the property. For example, a project's capital subsidy might flow directly to the child care provider. In cases like this the CDC can serve as a development consultant or turnkey developer.

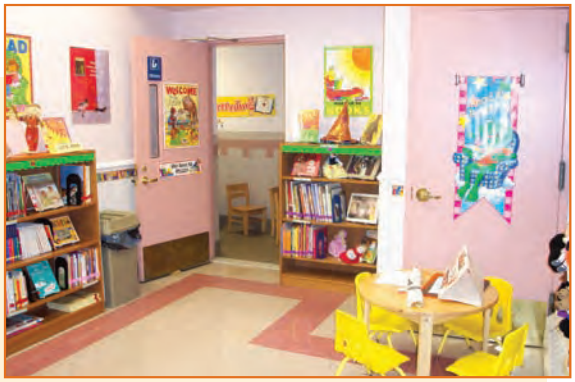
NEW HAVEN, CT

The **HILL DEVELOPMENT CORPORATION (HDC)** had developed hundreds of housing units as part of its efforts to revitalize New Haven's Hill neighborhood. It was particularly interested in redeveloping a large vacant city-owned parcel near its headquarters. At the time, the neighborhood had 2,500 children under five but only 200 licensed child care spaces. To help address this gap, HDC partnered with LULAC Head Start to develop a 22,000 square foot facility for 174 children. Since the state's unique capital subsidy program required a child care provider to borrow the funds and own the facility, HDC served as the development consultant instead of the developer. In addition to overseeing the construction of the building, the CDC used its local relationships to help LULAC acquire the land from the city and secure additional city and state capital for the project.

Another option includes developing a child care facility and operating the business as well, which has interested some CDCs. However, child care is a specialized and complex business operation, and is not recommended for most CDCs unless they are a multi-purpose organization with a track record in service delivery. For example, some community action agencies deliver social services, including Head Start programs, as well as develop affordable housing and other real estate projects.

BROOKLYN, NY

The **CYPRESS HILLS LOCAL DEVELOPMENT CORPORATION (CHLDC)** in Brooklyn develops and manages housing and provides a comprehensive array of community service programs, including a Beacon school, after-school programs, and youth services. Because of its increasing focus on services to children and youth, CHLDC created a subsidiary to develop and operate an early childhood facility. It also runs a family child care network and, through its real estate development activities, works to connect family child care providers to homeownership opportunities.



WELCH, WV

In rural West Virginia, **STOP ABUSIVE FAMILY ENVIRONMENTS (SAFE)** has a long track record in providing services to victims of domestic violence. That mission expanded to include real estate development when the group renovated a former school building and created a 31-unit transitional housing facility. SAFE included a child care center to support women residents participating in its workforce training program during the day.

Cypress Hills and SAFE succeeded as child care program operators because their comprehensive approach had already created service delivery capacity within the organization. Without such a track record, most community developers wisely choose to partner with an experienced child care provider, so that each organization contributes what it does best.

The Program Operating Budget

EXPENSES

Child care is a very expensive service to deliver primarily because it is so labor intensive. Each state's licensing regulations set forth the minimum required teacher-to-child ratios to ensure safety, as well as maximum group sizes by age. The National Association for the Education of Young Children (NAEYC) sets voluntary accreditation guidelines for child care centers that generally reflect a higher quality standard than state licensing, including higher teacher-to-child ratios and teacher qualifications.

NAEYC-RECOMMENDED TEACHER/CHILD RATIOS AND MAXIMUM GROUP SIZES BY AGE:

CHILDREN'S AGES	ADULT-TO-CHILD-RATIO	MAXIMUM GROUP SIZE
Infants Birth - 15 Months	1:3 - 1:4	6 - 8
Toddlers 12 - 28 Months	1:3 - 1:4	6 - 12
Toddlers 21 - 36 Months	1:4 - 1:6	8 - 12
Preschool 3 year olds	1:6 - 1:9	12 - 18
Preschool 4 and 5 year olds	1:8 - 1:10	16 - 20

Notes:

- A group is defined as a set number of children and adults in a physically divided space with its own furnishings and equipment.
- While the term "preschool" is sometimes used to describe early education programs for children ages five and under, in the child care field children are categorized by age as "infants," "toddlers" and "preschoolers."

Infant and toddler care is the most expensive type of program to operate because younger children require higher adult-to-child ratios and smaller group sizes. As children get older, regulations allow larger group sizes and fewer staff relative to the number of children, which reduces the cost of running the program. As a result, it's important for child care providers to create the right mix of age groups in a center to ensure that the program is financially viable.

Teacher salaries are the primary driver of personnel costs, which can consume 70 to 80% of a typical nonprofit child care center's budget, leaving relatively little to cover the remaining operating costs. A well-known study[2] determined that the breakdown of expenditures for an average nonprofit child care center is as follows:

EXPENSE	% OF COST	SAMPLE BUDGET
Labor	79%	$513,500
Occupancy	9%	$58,500
Other Operating	7%	$45,500
Food	5%	$32,500
Overhead	1%	$6,500
Total		$656,500

Elements may not add to totals due to rounding.

The sample budget above is based on an average size child care center in Rhode Island with a typical distribution of expenses by category. In this example, the center would expect to receive roughly $7,100 per child. Keep in mind that state reimbursement rates vary significantly state by state, and can be as low as $3,000 and as high as $14,000 per child.

With an enrollment of 92 children, the center in this example would generate approximately $644,000 in revenues, and about $58,500 (9%) would be available for space-related costs such as rent or mortgage payments as well as maintenance and utility expenses. That translates into approximately $6.50 per foot for an ideally-sized center of roughly 9,200 square feet.

[2] *Cost, Quality and Child Outcomes in Child Care Centers, University of Colorado at Denver, 1995*

One reason for the low level of spending on occupancy is the economics of child care. Because of tight operating margins, especially among nonprofit programs serving lower-income families, most providers rely on donated, subsidized or otherwise low-cost space as a strategy for conserving scarce resources.

REVENUES

The financial feasibility of a new child care facility depends not only on securing appropriate capital financing for the real estate project, but also on having a reliable revenue stream to support ongoing operating costs and possible rent or debt service payments.

It is important to note that operating funds flow to the organization that is running the child care program, not the project developer. Many child care providers rely on a variety of funding sources to run their programs. However, most of the revenue typically comes from some combination of public subsidies for low-income children and parent fees. Each public funding source comes with its own set of requirements that must be met by the program operator.

NOTE: Keep in mind that public operating subsidies generally don't cover the full cost of providing quality child care services. Most program operators seek additional funds through local foundations, the United Way and other sources to supplement their budget.

PARENT FEES

Child care programs operating in lower-income neighborhoods typically serve a significant proportion of subsidy-eligible children. However, when families don't qualify for public child care subsidies or the availability of subsidies from the state or locality is limited, parent fees can be an important source of operating income.

However, a center located in a lower-income community faces the challenge of serving low- to moderate-income families who don't qualify for public subsidies, but who cannot afford the full cost of services on their own. Some child care programs raise funds from foundations or the United Way to provide scholarships to families in need of financial support. Depending on the location and type of services provided, some programs are able to attract families who can pay for services out-of-pocket, but serving a substantial number of private pay families would be challenging in lower-income neighborhoods.

In most states, even parents who receive subsidies for child care services are responsible for a co-payment based on their income level and the type of care selected. The amount of the co-payment is set by each state and paid directly to the provider.

STATE GOVERNMENT SUBSIDIES

The primary source of child care subsidies for families is the Child Care and Development Block Grant (also known as the Child Care and Development Fund or CCDF). This is a block grant provided by the federal government to the states. Each state has the ability to set its own guidelines and criteria for allocating funds. For example, under federal guidelines family income must be at or below 85% of the state median to qualify, although states have the discretion to set the eligibility cutoff at a lower level. States also set the rate they will pay for different types of care as well as a co-payment for parents. The secondary source of subsidies is Temporary Assistance to Needy Families (TANF), which targets child care resources to families receiving public assistance who are in work or training programs. Many states augment the subsidy pool using their own funds to reach more families.

Over thirty states currently use a tiered or differential reimbursement system in which higher rates are paid to programs that meet higher standards than state licensing, such as the number of staff who have received a Child Development Associate (CDA) or other approved credential; higher staff-to-child ratios; higher staff compensation, national accreditation, etc. Some states set higher rates for

certain types of care, such as care during non-traditional hours, care for children with disabilities, foster children, or children receiving protective services, and other special circumstances.

NOTE: FIND OUT WHAT'S HAPPENING IN EARLY CARE AND EDUCATION PROGRAMS IN YOUR STATE:

- Pre-K Now at www.preknow.org/resource/profiles/index.cfm provides up-to-date reports on newly launched state-funded preschool programs.
- The National Child Care Information Center at www.nccic.acf.hhs.gov/statedata/statepro/index.html offers information on different state child care efforts and contact information for state agencies.

These organizations are listed in the resource section at the back of this guide.

Operating subsidies are provided by the state or locality in the form of vouchers or contracts:

- **Vouchers:** In most states, child care operating subsidies are paid through vouchers, which are sometimes referred to as certificates, or simply as subsidies. Like Section 8 vouchers in the rental housing market, child care vouchers are "portable" subsidies provided directly to parents based on family income. These subsidies can be used to purchase care in the program of their choice (including child care centers and homes) as long as the program is approved by the local voucher management agency and has the space to accommodate the child. Although vouchers offer parents freedom of choice, vouchers also make it difficult for providers to estimate reliable revenue projections over time, a big challenge for businesses that rely on close to full enrollment to break even.

- **Contracts:** Under a contract system, the designated state or local public child care agency negotiates a contract directly with a child care provider to serve a specific number of subsidy-eligible children. In this case, the funding source is tied to the child care program, not to the child. The contract is generally for a one-year period, but can be for multiple years depending on the geographic location. A contract-based system offers providers more financial stability than vouchers, since they receive income for a set number of children for a specific period of time. However, many states don't offer contracts for child care subsidies, and those that do may not have funding available for new or expansion contracts. Most expansion has occurred through state voucher programs.

There is significant variation from state to state in terms of the type of subsidies available, how programs are administered and what requirements are mandated by licensing. Depending on the availability of resources and local policies and regulations, it may not be possible for child care programs to secure new or expanded operating contracts or for interested families to access vouchers. However, many states and localities maintain waiting lists for eligible families to secure vouchers.

STATE-FUNDED PREKINDERGARTEN (PRE-K) GRANTS

A growing number of states have introduced or are working toward establishing preschool or universal preschool programs for three- and four-year-olds. Many of these programs operate in public schools and are run by public school personnel. However, some states have "mixed systems" that rely on both school-based and community-based preschool programs. The community-based programs are typically funded through contracts with the state's education department. Each state sets its own guidelines for the type of providers eligible to receive preschool resources, such as whether it's a school or community-based setting as well as the training or credentials of the teaching staff. These programs often compensate providers at a higher rate than the state's child care subsidy program, although in some cases they also impose greater costs in the form of higher teacher credentials. Most state-funded preschool programs are part-day, part-year, and many efforts are targeted to low-income families who meet certain income and other eligibility criteria. Some states are introducing universal pre-kindergarten (UPK) programs that seek to provide "universal" access on a voluntary basis to all preschool children regardless of family income levels.

FEDERAL HEAD START GRANTS

Unlike the child care subsidies that flow through federal block grants to the states to administer, the federal Department of Health and Human Services contracts directly with public and private organizations to run Head Start programs. The vast majority of Head Start resources are currently allocated to existing Head Start "grantees." Some grantees can subcontract funding to "delegate" agencies to operate Head Start programs. Some states augment this federal funding with their own resources to enable grantees to serve a higher percentage of eligible children. The program is funded to provide a comprehensive approach to early education with health, nutrition and social services, and has a prominent emphasis on parent involvement. Most Head Start programs serve three- and four-year-olds, but there is also an Early Head Start component that provides services to infants and toddlers. Unlike all other early childhood programs, Head Start performance standards and facility requirements are national, and apply uniformly across the country. Historically, Head Start programs have provided part-day, school-year services, but recently many have begun to offer full-day or "wrap around" services to better meet the needs of working parents. The Head Start Bureau in the U.S. Department of Health and Human Services/ Administration for Children and Families can help you identify Head Start grantees in your local community: **www.acf.hhs.gov/programs/hsb/hsweb/index.jsp**.

USDA CHILD AND ADULT CARE FOOD PROGRAM

The Child and Adult Care Food Program (CACFP) is a state-administered federal nutrition subsidy through the U.S. Department of Agriculture (USDA). It is an entitlement program for all income-eligible children served in child care centers, after-school programs, Head Start programs, and family child care homes. Qualifying providers receive reimbursement to cover the cost of up to three meals and one snack per day, provided they meet the USDA's nutrition standards.

CHARITABLE CONTRIBUTIONS

Since public operating subsidies and parent fees generally don't cover the full cost of delivering a quality child care program, most providers seek additional grants from foundations, corporations and individuals. The United Way is a common source of operating funds for child care programs. It should be noted that this type of supplemental grant funding is generally very modest, and often covers the cost of one-time special initiatives rather than ongoing annual operating expenses.

OPERATING BUDGETS

Given the economics and structure of the child care industry, a number of financing issues may come up when partnering with a provider to develop a facility. When reviewing a child care program operating budget to get a sense of whether a potential partner is running a viable business and/or will be able to support monthly rent or debt payments, keep in mind the following:

- **TIGHT OPERATING MARGINS.** Public operating subsidy reimbursement rates are generally too low to cover the full cost of running a high quality program. Many child care programs secure additional funds through the United Way, foundations or fundraisers. Because child care budgets are often close to breakeven, the majority of centers, especially smaller nonprofit programs serving low-income families, are generally not able to support the level of debt that community development organizations may expect for other types of real estate development projects. In addition, they seldom have access to organizational assets to tap for investment in new facilities.

- **OPERATING CONTRACT RENEWAL.** When evaluating the provider's revenue stream, remember that public operating subsidies secured through contracts are often committed year-to-year, although most are routinely renewed based on good performance. Check with the provider, the local Child Care Resource and Referral Agency as well as the agency administering the subsidy to assess local practices and the likelihood that the provider's contract will continue to be renewed.

- **MARKET FOR VOUCHERS.** In many locations, providers rely on much less reliable vouchers, which are never guaranteed for any period of time. Parents have the ability to use their voucher at the center of their choice, and can move their child to another program at any time as long as the program will accept the voucher and space is available. When considering a partnership with a provider who plans to draw on vouchers as a revenue source, you must determine whether they are a strong competitor for services in the local area. Do they have credible experience and a track record for delivering quality services? Is there a valid market for the services they propose? Have there been any changes in their enrollment? Are there any new competitors or visible differences in the neighborhood which might influence future enrollment?

- **NEED VS. DEMAND.** If the child care program is planning to expand to a new site, remember that in many states and localities there is a shortage of public child care subsidies for low-income families. Although there may be high need for child care services in a particular community, be sure the child care program can demonstrate that there are enough parents who can pay for the services – either through public subsidies, their own pockets, or a combination.

- **MULTI-SERVICE ORGANIZATIONS.** Larger, multi-service organizations providing child care often have better access to operating subsidies, are better able to support debt, and have more capacity to take on a major project and partner with others. These organizations may also be able to cross-subsidize the child care program by funding operating deficits with the parent organization's unrestricted funds or revenues from other initiatives.

- **ENROLLMENT AND REVENUE.** All child care programs must plan for some amount of turnover as families relocate, subsidies expire and children move on to other programs. A more significant budgeting issue is that public child care subsidy programs reimburse providers based on daily attendance, not enrollment. So, if a child is sick and stays home, the center foregoes the subsidy reimbursement for that day. This potential for lost income should be factored into revenue projections, and budgets should include a provision for vacancies. A child care program operating at full capacity should generally budget with the expectation that they will receive 85 - 90% of their possible tuition. This takes into account vacancies, uncollected fees, etc. A new program should project a higher vacancy rate, since it takes time to ramp up and won't be fully enrolled on opening day. New centers can typically expect a ramp-up period of 18 - 24 months before reaching full capacity, although it is not unheard of for centers to be full within a year in areas where there is significant unmet need. Many new centers aim to open in September to maximize initial enrollment.

- **CASH FLOW.** New centers should prepare budgets on a cash flow basis since most child care subsidies are reimbursed after the services are delivered. Therefore, to meet current cash needs, such as salary and debt service, they need enough working capital to meet financial obligations while awaiting payment from the state subsidy administrator.

NOTE: A template for a child care center operating budget can be found at Appendix A.

Market Analysis

If you are developing a new facility or expanding an existing program, you should conduct a market study to satisfy yourself and demonstrate to funders and other supporters that the facility is needed and will be fully utilized. An experienced child care provider will be able to play a central role in carrying out a thoughtful analysis to determine whether there is a market for the type of program and services being proposed.

A market study should look at four things:

1. The **market** or geographic area you plan to draw from, and the population you plan to serve. Most of this information can come from the U.S. Census Bureau.

2. The **existing supply** of services in your proposed market area. Find out what other providers exist, whether they have vacancies, are fully enrolled or maintain a waiting list. Also examine the services being offered by other providers. Are they the same services as those for your proposed center? Or do the programs serve different age groups; cater to a specific ethnic community; or have different hours of operation?

3. The **likely demand** for your services, or the number of children who will actually enroll when the facility is open. While many families may need child care services, they may not be eligible for public subsidies or be able to pay the fees from their own pockets. Or, some families may prefer other types of care, such as informal arrangements with relatives or neighbors.

4. Your program's **competitive advantage** – or how it is different from other programs drawing from the same market – such as longer hours, location, bilingual teachers or access to other family services.

For more detailed information on the components of a market study and sources of information and data, see the "Getting Ready" chapter in CICK's resource guide, Volume 1 on *Developing Early Childhood Facilities*.

NOTE: The most important thing to remember when evaluating the local market is that the **NEED** for child care services is not equivalent to the **DEMAND**. Families must be able to pay for the services — whether through government subsidies, out of their own pockets, or a combination of the two.

Facilities Development Challenges

HIGH COST

High quality child care space is expensive to develop. It's very specialized space, and you need a lot of it to support a well-functioning center.

- The square foot cost of developing a child care facility can be up to 43% more than commercial office space. A well-designed space will be highly specialized to meet the unique needs of an early childhood program and will include many costly features like sinks and toilets scaled to a child's size; extensive plumbing to locate bathrooms within or directly accessible from classrooms; built-in counters, changing tables, cabinetry and storage spaces; and lots of exterior and interior windows to help children connect with the world around them. Higher-end finish materials will cost more up front, but will ensure durability when faced with heavy daily use by young children.

- Another factor that adds to the high cost is the amount of space required to accommodate all the specialized classroom and non-classroom spaces needed. Child care experts recommend 40-50 square feet per child of activity space in classrooms and 80-100 square feet per child in the overall facility. The site must also be big enough for outdoor play space, parking and building access.

- Keep in mind that since the appraisal value for a highly specialized child care facility will generally be low relative to the cost of construction, the loan-to-value ratio yields loans that don't cover development costs.

For more detailed information on best practices in child care facilities design, see Volume 2 of CICK's resource guide series on *Designing Early Childhood Facilities*.

WHAT CDCs CAN DO:

- ✓ Work carefully with the project development team to ensure the estimated facility cost accurately reflects the true cost of developing high quality child care space.

- ✓ Carry out thoughtful value engineering if costs exceed the project budget, making sure to minimize changes to the design that will impact program quality.

- ✓ Generate equity, as CDCs do with other projects, to cover more of the cost. CDCs can also enlist the provider's participation in a capital campaign. Unlike most affordable housing developments, a child care facility is a unique type of project that can generate a lot of philanthropic and political interest because it serves young children.

- ✓ Access technical assistance through specialized intermediaries like LISC to help with thoughtful space design.

LACK OF SPECIALIZED FUNDING

Early childhood programs, like so many other social and community services, have no financing infrastructure for facilities. Programs serving lower-income communities are highly dependent on public operating subsidies, which are generally too low to cover the true cost of operating a quality program and do not include an allowance for occupancy expenses. With tight operating budgets and little ability to save for capital investments, most providers are unable to pay market rate rents or take on a significant amount of facility debt. In addition, there are few sources of specialized

capital available to the child care field to pay for new facilities.

As a result, fundraising for grants is almost always an important part of the financing plan. Developers and child care programs tap a patchwork of public and private sources. While borrowed capital may be needed, in many cases debt is only a modest proportion of the financing package. The type of sources centers use to construct or renovate a child care facility include the following:

- Community Development Block Grants.
- Donations of surplus or tax-foreclosed property from municipalities.
- Foundation and corporate grants, and sometimes contributions from wealthy individuals.
- Low-interest loans from community development lenders like LISC, and in some rural areas the U.S. Department of Agriculture has a very favorable community facilities lending program.
- State legislative earmarks.
- Landlord concessions such as fee income or Low Income Housing Tax Credit equity.
- Federal capital grants to Head Start grantees.
- Environmental grant programs to remediate site conditions.
- In states with neighborhood assistance business tax credit programs, corporations have a financial incentive to make a grant.

There are also several sources of federal funding that can only be accessed through a development partner:

U.S. Department of Health & Human Services, Office of Community Services (OCS): OCS makes grants for projects that create employment opportunities for low-income people in economically distressed areas, including both pre-construction planning grants and capital grants for construction and renovation. A child care facility project qualifies if it can demonstrate the ability to create a competitive number of new full-time jobs. In most successful applications involving child care, the child care facility is one component of a larger project that generates a substantial number of jobs. Eligibility for these funds is limited to nonprofit community development corporations (CDCs).

Contact: www.acf.hhs.gov/programs/ocs/dcdp/ced/index.html

Federal Tax Credits: The Federal Internal Revenue Code operates three tax credit financing programs – Historic, Low-Income Housing, and New Markets – that under certain circumstances can be used to raise equity for child care projects. If your project is in an historic structure or district, it may be eligible for federal Historic Tax Credits (many states have Historic Tax Credits as well). If your project is being developed in conjunction with an affordable rental housing development, it may be eligible for Low Income Housing Tax Credits. If your project promotes economic development or creates jobs in certain low-income communities, it may be eligible for New Markets Tax Credit financing. All of these forms of tax credit financing are highly technical and complicated, requiring specialized legal and real estate development consulting advice. A child care program working with an experienced real estate developer may be able to tap into these resources to support the project.

WHAT CDCs CAN DO:

- ✓ Use their knowledge of funding sources and relationships with funders to secure resources for the project.
- ✓ Tap funding sources that are best accessed or in some cases only accessed through a developer and sometimes specifically a CDC, including:
  - Tax credits: Housing, New Markets, Historic.
  - OCS grants through the U.S. Department of Health and Human Services.
  - State or local community and economic development pots that are sometimes used for larger projects that incorporate child care.
- ✓ Seek below-market financing with more flexible terms and underwriting requirements from community development lenders like LISC. Since these projects tend to be relatively small but complex with uncertain future revenue streams, many conventional banks are unable to play a financing role.
- ✓ Offer the provider a favorable lease to reduce the impact of the project on their tight operating budget.

For a more detailed discussion of funding sources, please see the chapter on "Raising Money" in Volume 1 of CICK's resource guide series, *Developing Early Childhood Facilities*.

LACK OF CAPACITY IN THE CHILD CARE FIELD

With tight budgets, the typical single-site child care provider can only afford to maintain the most minimal administrative and management structure. Few directors have the time to devote to a facility project or the middle managers to assign to the endeavor. Also, child care directors are usually trained as educators and are unfamiliar with the complexities of capital budgeting, real estate development and financial packaging. So they are less likely to understand the financing involved in implementing a capital improvement project and may lack the confidence to manage the development experts who will carry out much of the day-to-day work.

WHAT CDCs CAN DO:

- ✓ Bring their real estate development experience to the project.
- ✓ Assign a project manager to coordinate the project and serve as the liaison with the child care provider.

THE IMPORTANCE OF QUALITY DESIGN

Early care and education experts believe that how a children's space is designed and equipped can have a significant impact on a provider's ability to deliver a high quality program. Here are some key child care design principles to consider.

1) PLAN FOR ENOUGH SPACE IN THE CLASSROOMS AND IN THE FACILITY OVERALL.

Although most states require 35 square feet of classroom activity space per child, early childhood experts recommend 40 - 50 square feet for preschool age children, and sometimes more for infants and toddlers. This more ample space enables programs to create effective activity areas with appropriate furnishings and equipment, with enough room for circulation around the areas. Beyond the classroom there are many other components of a high quality child care environment, including a reception area, kitchen, gross motor space, staff rooms, parent rooms, offices and meeting space, storage space, and more.

2) SCALE THINGS FOR CHILDREN.

From the entry to the classroom, all furniture, equipment and features should be scaled to children's height. This not only increases their competence and independence, but also supports teachers and parents – whether brushing their teeth, using the toilet, or being able to access materials or initiate activities on their own.

3) PLAN FOR INTENSIVE PLUMBING NEEDS.

Child care centers have significant plumbing needs, including easily supervised bathrooms inside or directly adjacent to each classroom; child-height classroom activity sinks for easy clean-up; adult-height classroom sinks for changing and kitchen areas; and adult bathrooms.

4) FOCUS ON COLOR, LIGHT AND SOUND.

Children's spaces should support their learning and exploration, but not overwhelm them. This includes physically separate spaces for each group of children where noise levels are manageable; lots of natural light coming through windows as low to the ground as possible; use of soft artificial lighting to avoid over-reliance on harsh fluorescents as the only light source in the classroom; and furnishings and equipment in natural tones as a soothing backdrop to children's brightly colored clothing and toys.

5) SUPPORT TEACHER AND STAFF EFFECTIVENESS.

The physical facility should be designed in a way that eases and supports the burdens that caregivers face. This can be accomplished by including adult-height work spaces; counters and sinks in the classroom; creating appropriate storage so that materials and supplies are readily accessible; and providing places outside the classroom to meet with other teachers or parents, relax or do work away from the children.

6) CONSIDER THE NEEDS OF PARENTS.

Child care facilities should be convenient and welcoming to parents, using such features as a convenient and welcoming reception area with seating; private places to meet with staff; a quiet seating area to be with a child having trouble transitioning; and storage for car seats and strollers.

7) CONNECT INTERIOR SPACES.

Part of creating community and reducing isolation is accomplished by connecting internal spaces within the center. Providing a visual, acoustic or physical connection between classrooms and into other nearby spaces can share light and help children and teachers connect to other parts of the center and the other people using it.

8) CONNECT INTERIOR TO EXTERIOR SPACES.

Connections to the outside world are also important. Numerous windows, low to the ground, bring in natural light and let children connect with the changing environment outside. Direct access from the classroom to the outdoors can ease transitions and maximize children's time outside.

9) CREATE VARIED OUTDOOR SPACES.

The playground space is often an afterthought when a program is developing a new center and might include just a few simple, traditional play structures. But the outdoor play area should really be an extension of the classroom and provide a variety of activities and a chance for children to connect with nature.

10) CREATE AN APPROPRIATE FEEL.

Each child care facility should create an appropriate feel that reflects the program's philosophy and provides a sense of place for all its users.

For additional information on best practices in child care design, see Volume 2 in CICK's resource guide series on *Designing Early Childhood Facilities.*

Resources

Children's Defense Fund
(202) 628-8787
www.childrensdefensefund.org
The Children's Defense Fund is a national non-profit advocacy organization focusing on programs and policies affecting children. This site has news releases, fact sheets on child care policy and funding issues, information on child care costs, supply and affordability, and a publications list.

National AfterSchool Association (NAA)
(202) 347-2030
www.naaweb.org
The National AfterSchool Association (formerly the National School Age Care Alliance) is a professional association with 7,000 members including practitioners, policy makers, and administrators of public and private after-school and out-of-school time programs. NAA is dedicated to the education and care of children and youth during their out-of-school hours. NAA has an accreditation system for after-school programs, holds a national conference and publishes a journal on research, resources, best practices and public policy issues in the after-school field. NAA offers several publications and resources, and posts relevant articles on its website.

National Association of Child Care Resource and Referral Agencies (NACCRRA)
(703) 341-4100
www.naccrra.org
NACCRRA is a national network of over 850 Child Care Resource and Referral agencies (CCR&Rs) around the country. CCR&Rs serve as the link between child care providers and families in local neighborhoods, offering information on available child care programs, current openings and sources of financial assistance. The website includes NACCRRA's child care policy agenda and offers up-to-date alerts and public policy strategies. Information is also available on child care conferences and publications.

National Association for the Education of Young Children (NAEYC)
(202) 232-8777
www.naeyc.org
NAEYC is a nonprofit professional organization focused on improving the quality of early care and education nationally. This site reports on federal child care funding, pending legislation and current policy issues. Also available is information on NAEYC accreditation standards for child care programs and a national database of accredited child care providers. NAEYC's annual conference is the largest professional early childhood forum in the country.

National Association for Family Child Care (NAFCC)
(801) 269-9338
www.nafcc.org
NAFCC is a national membership organization that supports the family child care profession. It promotes high quality care for children through its voluntary accreditation process for family child care homes, leadership training, technical assistance, public education and policy initiatives. The website has information on NAFCC's annual conference and quarterly newsletter, and includes a list of publications.

National Child Care Information Center (NCCIC)
(800) 616-2242
www.nccic.org
Sponsored by the U.S. Department of Health and Human Services, this site serves as a clearinghouse for information on child care funding and technical support. The site includes a calendar of child care conferences, technical assistance resources for child care programs, and links to national child care organizations. State-by-state licensing information, demographic data on children and families and contact information for local child care agencies is available.

National Clearinghouse for Educational Facilities
(888) 552-0624 or (202) 289-7800
www.edfacilities.org
Created in 1997 by the U.S. Department of Education and managed by the National Institute of Building Sciences, the clearinghouse is a web-based source of information on planning, designing, funding, building, improving, and maintaining safe, healthy, high performance schools. However, they also collect materials on early childhood education. Be cautious not to assume that advice about elementary and secondary school buildings also applies to preschool facilities.

National Head Start Association (NHSA)
(703) 739-0875
www.nhsa.org
NHSA is a membership organization dedicated exclusively to meeting the needs of Head Start children and their families. NHSA advocates for policies that strengthen services to Head Start children and their families; provides training and professional development to Head Start staff; and develops and disseminates research, information, and resources to support Head Start program delivery. NHSA's website includes news stories, press releases, fact sheets, publications and research results.

National Institute for Early Education and Research (NIEER)
(732) 932-4350
www.nieer.org
The National Institute for Early Education Research supports early childhood education initiatives by providing objective, nonpartisan information based on research. NIEER offers independent research-based advice and technical assistance to policy makers, journalists, researchers, and educators. NIEER produces an annual yearbook that profiles state-funded pre-kindergarten programs in the United States; outlines each state's preschool policies, standards and resources; and tracks progress and trends. The website provides links to current news articles about early education; publications, policy papers and a newsletter; and Frequently Asked Questions about early education topics.

National Women's Law Center
(202) 588-5180
www.nwlc.org
NWLC works to expand the possibilities for women and their families at work, in school, and in every aspect of their lives. NWLC focuses on major concerns of women and girls, including family economic security, education, employment opportunities, and health, with special attention given to the concerns of low-income women. NWLC has a particular focus on improving the quality, affordability and accessibility of child care, and its website includes information and updates on federal and state child care legislation and policy issues.

Pre-K Now
(202) 862-9871
www.preknow.org
Pre-K Now is a public education and advocacy organization that promotes high-quality, voluntary pre-kindergarten for all three- and four-year-olds. Pre-K Now supports state-based children's advocates; educates policymakers about the need for preschool; and raises public awareness about the need for preschool for all children. The Pre-K Now website includes profiles of states that are exploring or implementing Pre-K programs; information on the quality and availability of Pre-K around the country; and a list of websites, publications, videos and DVDs on Pre-K.

U.S. Department of Health and Human Services/Administration for Children and Families
www.acf.dhhs.gov
Part of the U.S. Department of Health and Human Services, the Administration for Children and Families houses the Child Care Bureau (at www.acf.dhhs.gov/programs/ccb/) and the Head Start Bureau (at www.acf.dhhs.gov/programs/hsb/). These pages offer child care and Head Start policy updates, information on funding sources, and contact information. The Head Start page also lists Head Start grantees by state, funding opportunities, and statistical data.

APPENDIX: SAMPLE OPERATING BUDGET

ABC CHILD CARE CENTER INCOME AND EXPENSE PROJECTIONS

INCOME	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
State Subsidy						
Infants (# of children at $X per child)						
Toddlers (# of children at $X per child)						
Preschool (# of children at $X per child)						
After-School (# of children at $X per child)						
Parent Fees						
Infants (# of children at $X per child)						
Toddlers (# of children at $X per child)						
Preschool (# of children at $X per child)						
After-School (# of children at $X per child)						
USDA Food Program						
Fundraising/Donations						
Other						
Less Vacancy Allowance						
Less Allowance for Uncollectable Fees						
Total Child Care Center Income						

EXPENSES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Personnel						
Director						
Head Teacher(s) (# of staff at $X each)						
Teacher(s) (# of staff at $X each)						
Assistant Teachers (# of staff at $X each)						
Teacher's Aide (# of staff at $X each)						
Other Program Staff						
Food Service/Cook						
Administrative Staff						
Maintenance/Janitorial Staff						
Benefits (Social Security, Health Insurance, etc.)						
Total Personnel Costs						
Professional Services						
Accounting						
Consultants						
Legal						
Pediatrician/Psychologist						
Substitute Teachers						
Other						
Total Professional Services						

ABC CHILD CARE CENTER INCOME AND EXPENSE PROJECTIONS, *continued*

EXPENSES	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5	YEAR 6
Nonpersonnel						
Food						
Supplies and Equipment						
Classroom Supplies						
Kitchen Supplies						
Office Supplies						
Janitorial						
Field Trips						
Board/Parent meetings						
Insurance (Liability)						
Phone						
Publicity						
Recruitment						
Staff Development						
Travel						
Transportation						
Vehicle						
Loan Payments						
Fuel and Maintenance						
Insurance (Vehicle)						
Total Nonpersonnel						
Occupancy						
Mortgage or Rental Payments						
Utilities (gas, electric, water and sewer)						
Taxes						
Insurance (Property)						
Maintenance Agreements & Servicing for Building & Systems						
Landscaping and Snow Removal						
Capital Reserve to Replace Furniture/Equipment						
Total Occupancy						
Total Child Care Expenses						
NET OPERATING INCOME (total Income less total Expenses)						

NOTE: Some child care programs may be operated as part of a larger multi-service agency. Most lenders and certain funders will request operating budgets for the full agency as well as a specific budget breakdown for the child care program.

LISC

CICK

Community Investment Collaborative for Kids

Community Investment Collaborative for Kids
A Program of the Local Initiatives Support Corporation
501 Seventh Avenue, 7th Floor
New York, NY 10018
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www.lisc.org

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CICK expands the supply and improves the quality of early care and education in low-income communities through new investments in physical facilities.