

Starting a child care business can be both exciting and frightening. There are many practical things to consider -- regulations, number of children, location, size, staff, safety, etc. And then there are the anxieties and concerns: "Will I make it?" "Am I in over my head?" "Where do I start?"

Start by having confidence! Acquaint yourself with the basic procedures for opening a child care business through this profile and by utilizing the programs available through the Department of Commerce and Economic Opportunity (DCEO). This publication is designed to answer some of the questions about starting a child care business.

It is of utmost importance to be aware of all the regulations, requirements and aspects of operating a child care business before beginning your endeavor. Make sure that you have all necessary licenses, permits or registrations applied for and approved before you open your door. Finally, remember to check with both your city and county clerk before undertaking any business venture.

There are a number of state assistance programs available to assist new businesses. The Illinois Department of Commerce and Economic Opportunity (DCEO) has created Illinois Small Business Development Center Network (the Network). The Network provides assistance in the areas of business management, financial counseling, and training in a supportive environment for new businesses. The Network consists of Small Business Development Centers, Procurement Technical Assistance Centers, International Trade/NAFTA Centers, Small Business Incubators, the Office of Minority Business Development and the Office of Women's Business Development. Assistance is provided in the areas of preparing business and marketing plans, securing capital, improving business skills, accessing international trade opportunities and addressing other business management needs. DCEO also has programs targeted to assist minority and women-owned business concerns. The Illinois Small Business Development Center Network is a collaborative arrangement among DCEO, the U.S. Small Business Administration, the U.S. Department of Defense, colleges and universities and private business organizations.

DCEO also created the First-Stop Business Information Center of Illinois (First Stop) to assist small businesses. The goal of First Stop is to enhance the state's business climate by making it easier for businesses to comply with government requirements and gain access to the information they need to be competitive. Whether a startup or existing business, the Starting A Business in Illinois handbook will inform you of various legal requirements and guide you to additional resources. For a free copy of the handbook, assistance in determining the location of the center in your area, or accessing other small business information, contact First Stop at 1-800/252-2923, TDD 1-800/785-6055. All of the First Stop's products are also available through the World Wide Web at www.illinoisbiz.biz. While you are on-line, feel free to search the Directory of Business Requirements and Assistance Programs, which offers selection criteria to help you find the information most applicable to your business.

Child Care Business Start Up Profile

This profile is divided into two separate sections, one geared towards those hoping to establish a home child care business, and the other for those establishing a larger scale child care center. Starting any new business can be difficult, but arming oneself with the proper information will make the chances of success much greater. Although this publication offers a great deal of information, it should not be used as the sole reference when starting a child care business. The Illinois Department of Human Services, Bureau of Child Care and Development funds a statewide system of nonprofit Child Care Resource & Referral (CCR&R) agencies that provide information on starting and operating child care businesses. To determine the location of the nearest CCR&R, please contact:

Illinois Network of Child Care Resource & Referral Agencies (INCR.)
207 W. Jefferson
Suite 503
Bloomington, Illinois 61701
Toll-Free 877/202-4453

The Illinois Department of Children and Family Services is the licensing agency for home child care businesses and child care centers in Illinois. For more information on how to apply to become a licensed home child care business or child care center, contact:

Department of Children and Family Services
Central Office of Licensing
406 East Monroe St.
Springfield, IL 62701
217/785-2688

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CHILD CARE CENTERS

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PART ONE: HOME CHILD CARE BUSINESSES AND GROUP CHILD CARE HOMES

INTRODUCTION AND DESCRIPTION

Introduction and Description

With more parents entering the workforce, especially with younger children, demand for qualified care givers has grown in recent years. This profile is to assist potential child care providers in becoming aware of the steps necessary to start a successful child care business.

The primary focus of part one of this profile is the home child care business. These enterprises care for a limited number of children and operate in the provider's home.

“Day care home” means family homes which receive more than 3 up to a maximum of 12 children for less than 24 hours per day. The number counted includes the family's natural or adopted children and all other persons under the age of 12. The term does not include facilities which receive only children from a single household.*

“Group day care home” means a family home which receives more than 3 up to a maximum of 16 children for less than 24 hours per day. The number counted includes the family's natural or adopted children and all other persons under the age of 12.*

Taken from Illinois Compiled Statutes. (225 ILCS 10/2 etc., 1996)

*For the purpose of this profile, the terms home child care business and group child care home will be used rather than day care home or group day care home.

GETTING THE HOUSE READY

Childproofing and Other Precautions

The majority of home child care providers are parents as well. Therefore, most have already taken steps to safeguard the home for their own children. The level of safety still needs to be expanded with the addition of more children. It may be necessary to add precautions for different ages, children with disabilities, or simply because more children means less attention per child.

Sectioning off certain areas that are unfit for children or places it is not necessary for the children to go can eliminate a great deal of risk. Other simple changes can be installing locks on medicine and chemical cabinets, changing rooms from privacy locks to locks which can be unlocked from both sides of the door, adding traction areas such as rugs to tile, hardwood floors and stairs, and installing childproof latches on cabinets containing trash receptacles or other potentially harmful objects.

If children will be spending time playing in the yard, it will be necessary to remove plants that commonly cause allergies, and those with poisonous berries or fruit. Another concern would be the application of herbicides or pesticides to the lawn. Depending on the busyness of surrounding streets, it may be advisable to have the yard fenced in. Outdoor play equipment

such as slides or jungle gyms require extra padding underneath, such as wood chips or sand extending at least six feet from the edge of the equipment at a depth of twelve inches.

When it comes to providing for children of different ages, it is important to remember that what is appropriate for a four year old can be very harmful for a toddler. During play time, keep the children's toys divided to reduce the risk. Also during meal and snack times, the importance of separate menus for the various ages represented can pose a safety concern.

Equipment Concerns

The equipment necessary for a home child care business will be defined by the age and number of children being cared for. Infant children will each require a separate crib for naps, and older children and toddlers will require cots or small beds. Mealtimes will require high chairs for toddlers and booster chairs for older children. Playpens also may be useful.

In general, it is best to check with the Consumer Product Safety Commission before investing in equipment, especially if purchasing equipment from garage sales, flea markets and second hand stores. Over time, many products have been recalled, and it is the responsibility of the home child care owner to ensure the safety of the equipment used in the home child care business. The Consumer Product Safety Commission can be reached toll-free at 800/638-2772 or via the Internet at www.cpsc.gov.

HANDLING MONEY FOR THE HOME CHILD CARE BUSINESS

Expenses

In figuring the rate for the children per week, it helps to have a solid estimate of the costs which will be incurred. Also, evaluating the percent of costs made up by the child care of owning the home, utilities and cleaning supplies, for instance, is a difficult task. At best, these will be estimates, and enough room should be left in the estimate to allow for error and adjustment over time.

Food expenditures can best be assessed by making up a menu for a week or month and estimating the cost of producing a similar menu for the full year. Remember to add a small percentage to cover for price increases or minor mistakes. (Note: the Department of Children and Family Services has set standards with regard to nutrition and meals. See DCFS, Rule 406, *Licensing Standards for Day Care Homes* - for details.)

The Child and Adult Care Food Program (CACFP) is a federal program that provides healthy meals and snacks for child and adult care facilities. CACFP reimburses participating child care operators for their meal costs and provides them with USDA commodity food and nutrition education materials. The CACFP is explained in detail in the Government Matters section of this profile.

To be included in expenses are the costs of upkeep for outdoor equipment, a budgeted amount towards new equipment of all kinds to replace worn pieces, supplies for activities, business and office supplies, insurance payments, and a stipend for field trips and guests. Another possible inclusion is a budgeted amount for working toward accreditation, or other formal training to become a better qualified care giver. This figure also should include the cost for qualified replacement care during the course.

Setting Prices

One of the advantages of running a business is setting prices, work hours, and restrictions on the number of children to be accommodated. Granted, these will have to be set in such a way that they allow maintaining a decent salary and clientele, but within these ranges, a great deal of variance is possible.

To arrive at the rates to charge per child, there is a fairly simple set of steps. *EXAMPLE:* First, consider the salary you would like to receive. Would you be happy with the minimum wage, currently **\$5.15/** hour? For the sake of this example, we'll use minimum wage as our basis. As far as the hours you will be working, because it is necessary to accommodate the full work day of the parent, we'll assume that your child care business will officially be open from 7:30 to 6:00, Monday through Friday, 52 weeks a year. Adding five hours per week to account for planning, shopping, and setting up, this gives us a total of 57.5 hours per week, and 2,875 hours per year. Next, evaluate the costs of running the child care. This will be gone into in more detail in another section, but for now, we will assume \$10,000 as an adequate sum. Thus, our gross total of expenses for a year of operation comes to \$24,806.25. Accounting for a reimbursement from the Child and Adult Care Food Program, we will reduce this number to \$24,000. If this was to care for 5 children, it would therefore be necessary to charge \$96 per week for each child.

From time to time, it may be necessary to adjust the rate charged per child. It is a wise idea to set an agreed upon date to announce these changes, with an adequate amount of time before they are implemented to discuss the changes with parents. If the announcement is expected and explained well, it will be more readily accepted. When explaining rate changes to parents, keep in mind that they are dually concerned with getting the best for their child and the most for their money. Your local Child Care Resource & Referral (CCR&R) agency can provide you with the average rates / tuition for child care in your area.

Building a Contract

The contract will be a legally binding document for the provider as well as the clients, and as such, it will be a good idea to have it looked over by a lawyer before it is put into use for the protection of all parties involved. Your local CCR&R agency can provide you with copies of sample contracts.

The contract should define all of the payments expected and services to be rendered. Included should be any restrictions on ending the child care enrollment, deadlines for announcing rate increases, any special fees, and rules regarding days in which the child is scheduled to be present, but is unable to. A few examples would be family vacations or sickness.

Late fees, for drop-off and pick up, are a fairly common practice and serve a dual purpose. Not only do they produce revenue, they also cut down on late parents. A decision on whether or not to use them, as well as what level to set the fees if they are instituted, can be influenced by the frequency of late parents and similar fees by other child cares in the area.

Record Keeping

Running a child care business in the home can make record keeping a challenge. It is important to keep as many of the costs for the child care business separate from other expenditures. A separate checking account for the home child care business can help when buying supplies and

taking in parents payments. Getting the assistance of an accountant may be helpful in setting up and maintaining records.

Because a provider is in charge of the well being of the children in his/her care, it is required that each child have an individual file. These files can be used to record pertinent information about the child's possible medical problems, behaviors, payment records, and other necessary information, such as emergency phone numbers where parents can be reached. These files then can be utilized when parents request information and in case of an emergency. (Note: the Department of Children and Family Services has set standards with regard to record keeping. See DCFS, Rule 406, *Licensing Standards for Day Care Homes* - for details.)

Other areas of the child care business that may require a filing system are the Child and Adult Care Food Program, information about licensing, itineraries, announcements, and other letters sent out to parents. All should be kept for future reference.

FILLING A CHILD CARE BUSINESS

Advertising

Because the home child care business only will be serving a few children, a large advertising budget is not necessary. Small signs and announcements in areas that attract prospective customers can be very effective, as can referrals from your local area CCR&R agency.

Remember to present the home child care business in its best light by highlighting what makes this individual child care stand out in the crowd. Use advertisements as a first line to screen out various ages of children if only wishing to work with a certain age group. Also remember to include the hours that care will be available, estimated rates, the legal status you operate under and any other immediately relevant pieces of information.

Interviewing Prospective Clients

Normally, the first contact with parents will be a phone conversation. When contacted, it is important to present a professional manner at all times, and make sure that all of the parents questions are answered. It may be helpful to keep a copy of a sample contract and policies next to the phone to be referenced during these calls.

Interviewing prospective children and parents is a task not to be taken lightly. This most likely will be the first meeting with the child and parents, and quite possibly the only meeting before a decision is made whether or not to enroll the child. Start with a tour of the house to show the child and parent where he/she will be playing, napping, eating, etc. Pay close attention to the relationship between the parent and child. Communication and language are very important to a child.

Talk to the parents separately from the child about discipline policies the parents have, and how they compare with your own. (Note: DCFS licensing standards strictly prohibit physical punishment and verbal abuse.) Go over menus for the child care business, and foods the child likes or dislikes. This is also a good time to find out any allergies the child has to common foods or other sources. Discuss the parent's work schedule, and who will be responsible for prompt drop-off and pick up of the child (including other authorized individuals).

It also is important to spend some time alone with the child. Many children will act differently when their parents are no longer present, and it is necessary to evaluate just how much of a difference will be present when the child is in care full time. Ask simple questions to be familiar with the child's daily life. Does he/she have any pets, favorite snacks, or TV shows?

Finally, discuss any decision with the parent(s). If you feel your home child care business cannot appropriately care for the child, explain why. The parent(s) should feel that at all times they were treated fairly, but should also keep in mind that it is a business, and the provider's decision.

If you and the parents have agreed to enroll the child in the program, discuss the possibility of a trial period. Therefore, at the end of the prearranged time, or even before, if either party thinks that the arrangement isn't working, it can be terminated. It usually is a good idea to be paid in advance for the length of the trial period in case the contract is terminated prematurely.

INSURANCE

Liability Insurance

A good insurance policy is necessary for any business, but it is especially important when the business centers around taking care of others. While it is unpleasant to consider the possibility of a child being injured or killed while in care, it is a possibility, and it is important to protect one's livelihood in such an event. This involves obtaining proper liability insurance.

Liability insurance will pay hospital and doctor bills for anyone injured while in care. No matter what a care giving record may have been in the past, it still is necessary to cover a child care business. Accidents do happen, even to the most experienced and best prepared. The main advantage of a spotless record will be in the lower payments for premiums compared to others.

For the most part, there are two methods of insuring oneself for liability that need to be looked into to help keep costs at a decent level. In either method, it is necessary to ascertain that a reasonable level of coverage will be provided. (Note: the Department of Children and Family Services has set standards with regard to insurance requirements. See DCFS, Rule 406, *Licensing Standards for Day Care Homes* - for details.) Deductibles for these policies will vary, but it is usually wise to arrange for the highest deductible that can be handled, as this will make premiums lower and, barring any major claims, cost the home child care business less in the long run. Buying a commercial coverage plan is a very thorough method of insuring the business, and usually the most customizable in terms of varying levels of coverage. The insurance company chosen can help find the plan best suited to specific needs. Remember to look at several different companies for the best rates and coverage. Generally, policies of this type range from \$400 to \$800 per year, and some are more expensive depending on the level of coverage. The second option is to expand homeowners insurance. Many companies offer a rider or endorsement which can be added to a basic policy. In general, this should be done because the home child care business itself is not covered by the existing policy. This type of extended coverage is often the most limiting and least protective. The policy may limit the number of children that can be enrolled in the home child care, with the common range being from 3 to 6, depending on the specific policy. Also, some may refuse this extended coverage if specific risk factors, such as swimming pools or large pets, are present which could be construed as an added risk to the children. On the plus side, this is usually the least expensive option when available,

with a 1990 survey showing yearly costs ranging from \$30 to \$170. All insurance fees incurred by the home child care business are business expenses and therefore tax deductible.

Other Forms of Insurance

One other form of insurance, which most homeowners practice almost without thinking about it, is self-insurance. Usually this takes on the form of money set aside to be utilized in times of unexpected difficulty. Common uses would include damage to furniture, the house, or play equipment. The system works well for small expenses, but it would be highly implausible to assume that someone could self-insure against the potential thousands of dollars in damages in a lawsuit.

It will be necessary also to provide insurance of continued income in the event of injury or otherwise inability to continue running the home child care business. Disability insurance could be a wise investment, and can usually be handled by the same agency which controls health or life insurance.

Also necessary for consideration is extended car insurance if there is the possibility of a need to transport any of the children. Check with the insurance company and see whether it will be necessary to purchase a separate business plan. In addition, this will sometimes be included in a commercial liability policy.

GOVERNMENT MATTERS

State Regulations

There are several state regulations involved in running a child care facility, the most important of which is the actual license to operate a child care facility. The Department of Children and Family Services has set standards with regard to licensing requirements. (See DCFS, Rule 406, *Licensing Standards for Day Care Homes*, for details.) Operating a home child care without a license is unlawful, unless the home child care cares for no more than three children, including providers' own children. (Note: An unlicensed home child care may care for more than three children if the children are from the same family.) The license itself is free, and lasts for three years for a home child care business. It should be noted that application time ranges from two to six months on the average, so the application should be applied for far enough in advance that it does not infringe on the time scheduled to open the child care business. Applying will involve a criminal background check, a search of the Child Abuse and Neglect Tracking System and a search of the Statewide Sex Offenders Registry. Most denials will result from a past record of child abuse, neglect, or criminal activity. At the same time, the Department of Children and Family Services will perform an on-site inspection for safety and staff compliance.

Registering a Business Name

When the name of a business is different from the owner(s) full legal name(s), the Illinois Assumed Name Act requires sole proprietorships and general partnerships to register with their local county clerk's office. For example, "John Doe" would not need to file, but "John Doe's Cleaners" would. "Susan Williams and Paula Brown" would not need to file, but "Williams and Brown" or "Williams & Brown Speedy Travel Agency" would. In every county where the business is located, a certificate setting forth the name of the business, the full legal name(s) and address(es) of those owning, conducting or transacting the business and the locations of the business must be filed with the county clerk's office. Notice of filing must be published once a week for three consecutive weeks in a newspaper of general circulation published within the

county in which the certificate is filed. Also, any changes or additions of names and/or addresses must be reported to the clerk.

Tax Filing Basics

Another part of having the proper records is correctly filing business taxes. Because only net profit is taxed, the more detailed and complete the purchasing records for the child care business, the more that can be used as deductions on taxes.

There are two types of deductions that apply for home child care businesses. The first, full deductions, as the name implies, can be completely removed during taxes. These include all supplies purchased expressly for the operation of the child care, all educational expenses, such as admission costs for field trips and costs of attending seminars and classes about child care. Birthday and Christmas gifts to the children, as well as some play supplies, also are applicable. Mileage accumulated because of the home child care activities also can be deducted.

The second type of deductions are partial deductions. In general, most of these deductions stem from parts of the home child care business that also are used in the household. This can include depreciation over seven years on equipment such as high chairs, cribs and other items. Also included in partial deductions is the use of the home, which can be figured by determining the amount of time the home is in use, the percentage of floor space used, and then multiplying the two percentages to come up with the total amount deductible. A similar method can be used to determine the amount that can be claimed for home appliances such as computers, televisions, VCRs and other items.

Time and Space Percentage

The number that will probably make the greatest difference on your tax return is your Time and Space Percentage. You will use this percent to calculate how much of your home's expenses are attributed to the child care business and can be deducted as a business expense. Use this formula:

$$\frac{\text{\# sq. ft. used in business}}{\text{total \# sq. ft. in house}} \times \frac{\text{\#hrs. home is used in business}}{\text{total \# hrs. in year}} = \text{TIME/SPACE\%}$$

During times when business children are not present, you may count hours you spend cooking, cleaning, preparing activities, record keeping, interviewing parents and talking with parents on the phone. Keep track of these business - activity hours on a calendar.

The Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) is a federally funded child nutrition program through the United States Department of Agriculture (USDA). The purpose of the program is to encourage licensed child care centers, outside-school-hours programs, and licensed home child care businesses to provide more nutritious meals to children in nonresidential child care settings. Homeless shelters are also eligible to participate in the CACFP when children and their parents or guardians are living in a temporary shelter.

The amount of reimbursement provided for the meals and snacks is based on the household income for each child and or low income area eligibility. The amount of reimbursement varies.

The child care center and home child care business receive different rates of reimbursement for the children's meal.

The type and amount of food served to children must meet the established guidelines for children and infants. Eligible child care centers and home child care businesses can receive reimbursement for breakfast, lunch, supper and snacks served to enrolled children. The maximum number of meals a child can receive each day is two meals and one snack or one meal and two snacks. Homeless shelters may claim up to four meals served per child per day.

If you would like more information regarding the CACFP, contact the Illinois State Board of Education, Nutrition Programs and Education Services, 100 North First Street, Springfield, Illinois 62777-0001 or call 800/545-7892.

Employment Related Child Care Subsidy Program

The Employment Related Child Care Subsidy Program administered by the Illinois Department of Human Services is a program that every child care provider should be familiar with. This program provides funding for child care expenses and is available for families with gross annual income at or below 75% of the median income in Illinois (adjusted by family size) where the parents are working or in an education or training program. Families may apply for a subsidy under this program by completing an application with the Department of Human Services Regional Office serving their county. Applications must be completed by parents and are evaluated for approval by regional Department staff. This program will apply only to those child care centers that have gone through the proper steps to receive funds from the Department of Human Services. For more information on Employment Related Child Care Subsidies contact:
Department of Human Services Office of Child Development 406 East Monroe Street,
Springfield, Illinois 62701 or call (217)785-2559.

PART TWO: CHILD CARE CENTERS

DECIDING TO START A CENTER

Transition to a Full Size Center

After operating a home child care business / group child care home, it may be time to consider expanding to a child care center. In general, this section is written for a business person making the transition from one type of child care to the other, but the majority of the information is applicable to a large center starting from scratch as well.

“Day care center” means any child care facility which regularly provides day care for less than 24 hours per day for (1) more than 8 children in a family home, or (2) more than 3 children in a facility other than a family home, including senior citizen buildings. The term does not include (a) programs operated by public or private elementary school systems or secondary level school units or institutions of higher learning which serve children who shall have attained the age of 3 years; (b) programs or that portion of the program which services children who shall have attained the age of 3 years and which are recognized by the State Board of Education; (c) educational program or programs serving children who shall have attained the age of 3 years and which are operated by a school which is registered with the State Board of Education and which is recognized or accredited by a recognized national or multistate educational organization or association which regularly recognizes or accredits schools; (d) programs which exclusively serve or that portion of the program which services handicapped children who shall have attained the age of 3 years but are less than 21 years of age and which are registered and approved as meeting standards of the State Board of Education and applicable fire marshal standards; (e) facilities operated in connection with a shopping center, religious services, or other similar facility, where transient children are cared for temporarily while parents or custodians of the children are occupied on the premises and readily available; (f) any type of day care center that is conducted on federal government premises; (g) special activities programs, including athletics, crafts instruction and similar activities conducted on an organized and periodic basis by civic, charitable and governmental organizations; (h) part day care facilities; or (i) programs or that portion of the program which (1) serves children who shall have attained the age of 3 years, (2) is operated by churches or religious institutions, (3) receives no governmental aid, (4) is operated as a component of a religious, nonprofit elementary school, (5) operates primarily to provide religious education, and (6) meets appropriate State or local health and fire safety standards. “children who shall have attained the age of 3 years” shall mean children who are 3 years of age, but less than 4 years of age, at the time of enrollment in the program.*

Taken from Illinois Compiled Statutes. (225 ILCS 10/2 etc., 1996)

*For the purpose of this profile, the term child care center will be used rather than the term day care center.

EVALUATING A COMMUNITY CHILD CARE NEED

It should be the goal of a child care center to operate around 90 percent enrollment. Therefore it is important to verify that the location has enough need to support a new center. To begin, contact the other child care centers in the area. If they are operating below their optimal enrollment, then it is doubtful that enough excess business exists to fill a new center. Because of the long term nature of child care, it is unwise to assume that one child care center will be able to divert large portions of the other centers' business.

If there is sufficient demand to keep the other centers in the area full, contact a local CCR&R agency and inquire as to the number of referral requests they receive per month. This number will provide a fair estimate of the amount of new business available. Also, remember to include the number of inquiries received for the home child care business as well.

LEGAL STRUCTURE AND TAX ISSUES

There are several ways to organize businesses in Illinois, each having advantages and disadvantages to be weighed against practical needs and goals. Before selecting a form of organization, the following should be explored with an attorney and/or accountant:

- cost and complexity of formation;
- tax and securities law implications for each form;
- need for attracting additional capital;
- investors' liability for debt and taxes; and,
- the goals and purpose of the enterprise.

Registering a Business Name

When the name of a business is different from the owner(s) full legal name(s), the Illinois Assumed Name Act requires sole proprietorships and general partnerships to register with their local county clerk's office. For example, "John Doe" would not need to file, but "John Doe's Cleaners" would. "Susan Williams and Paula Brown" would not need to file, but "Williams and Brown" or "Williams & Brown Speedy Travel Agency" would. In every county where the business is located, a certificate setting forth the name of the business, the full legal name(s) and address(es) of those owning, conducting or transacting the business and the locations of the business must be filed with the county clerk's office. Notice of filing must be published once a week for three consecutive weeks in a newspaper of general circulation within the county in which the certificate is filed. Also, any changes or additions of names and/or addresses must be reported to the clerk.

Sole Proprietorship

A sole proprietorship is a business which is owned and operated by an individual. The advantages of this form of organization include ease of formation and relative freedom from government controls and restrictions. Disadvantages include less access to capital and financial resources. Also, this form of business organization provides less protection with regard to personal liability (if the owner's company should get into a position of owing more to others than the amount of cash and other assets it has, the owner's personal assets -- home, car, etc. -- may be required to be sold to pay the obligations of the business).

General Partnerships

A general partnership is defined as two or more individuals carrying on an association as co-owners of a business for profit. Types of partnerships include general and limited. Before

starting the company, the partners should agree on how much owner equity each partner must contribute, the extent to which each partner will work in the company and the share of the profits or losses to be received by each of them. This agreement should be prepared by an attorney in writing to avoid any future misunderstandings. As with sole proprietorships, a general partnership exposes the owners to personal liability. If the business is not successful and the partnership cannot pay all it owes, the general partners may be required to do so using their personal assets.

Corporations

A corporation is a distinct legal entity and is the most complex form of organization. A corporation may sell shares of stock, which are certificates indicating ownership, to as many people as is desirable. The shareholders then elect a board of directors, which elects a president and other officers who run the company on a day-to-day basis. Among the advantages of corporate formation are limited liability of the shareholder and ease of transferring ownership.

Registering your business as a corporation

If the decision is made to incorporate, Articles of Incorporation must be filed with the Secretary of State indicating the purpose of the enterprise. The corporation will be required to file annual reports with the Secretary of State. If the name of the business will include the word "Corporation," "Inc.," "Incorporated" or "Corp.," you must incorporate. Information on corporate filing is available by telephone, letter or over the counter through offices located in Springfield and Chicago. Also available are booklets on organizing domestic corporations (headquartered in Illinois) or foreign corporations (headquartered out of state or out of country). Contact the Secretary of State, Business Services:

Room 328 Howlett Building
Springfield, Illinois 62756
217/782-6961

69 W. Washington, 12th Fl
Chicago, Illinois 60602
312/793-3380

TDD: 1-800/252-2904
www.sos.state.il.us

S Corporations

Electing S Corporation status is an option that must be made through the Internal Revenue Service (IRS) when starting a business. In general, an S Corporation passes through income and expenses to its shareholders, who then report them on their own income tax returns. To qualify for S Corporation status, a corporation must meet several requirements, one of which limits the number of shareholders to 75. All shareholders must also consent to the corporation's choice of S Corporation status. For further information regarding S Corporations, contact the Internal Revenue Service (IRS) at 1-800-829-1040, TDD: 1-800-829-4059 or to request a copy of Publication 589, [Tax Information on S Corporations](#), write the Forms Distribution Center of the IRS, P.O. Box 8902, Bloomington, Illinois, 61702-8902 or call 1-800-829-3676, TDD: 1-800-829-4059.

Income Tax

Every individual, corporation, trust and estate residing in Illinois or earning or receiving income in Illinois must pay an income tax based on net income. A replacement tax is also applied to the net income of partnerships, corporations and trusts. S Corporations are subject only to replacement tax.

Sole Proprietorship - A sole proprietor must pay individual income taxes on earnings from the business.

Partnerships and Limited Liability Companies - Each partner/owner must pay taxes on the distributive share of partnership/owner's income. In addition, Illinois has a replacement tax that applies to partnerships.

Corporations - The corporate entity must pay a corporate income tax and replacement tax, which is administered and collected by the Department of Revenue. In addition, corporations are assessed a franchise tax each year based on their paid-in capital and a Corporate Personal Property Tax Replacement Income Tax. Corporate and franchise taxes are administered and collected by the Secretary of State's Office.

Property Taxes

All for-profit real estate owners are required to pay property taxes. The property tax rate is determined by local taxing districts and is paid to the township or county tax collector in the year following assessment.

Withholding Taxes

Certain taxes must be withheld from employee wages and remitted to the government. These include state and federal income taxes and FICA (Social Security). You may be required to register with both the federal government and the State of Illinois for tax withholding purposes. To learn more about your federal government tax requirements, contact the Internal Revenue Service at 1-800/829-3676 and request any of the following materials:

- Small Business Resource Guide (CD-ROM)
- Intro to Federal taxes for Small Business/Self Employed (CD-ROM)
- Small Business Tax Workbook (Publication 1066A)
- Starting a Business and Keeping Records (Publication 583)
- A Tax Guide for Small Business (Publication 334)
- Employer's Tax Guide (Publication 15)

The IRS also operates a general information hotline: 1- 800/829-1040. To register with the State of Illinois, please contact the office nearest you:

Illinois Department of Revenue
100 W. Randolph, Concourse 300
Chicago, Illinois 60601

Illinois Department of Revenue
PO Box 19030
Springfield, Illinois 62794-9030

Voice:1-800/732-8866
TDD: 1-800/544-5304

Federal Employer Identification Number (FEIN)

Every partnership, corporation and S Corporation must have a FEIN to use as its taxpayer identification number. A sole proprietorship must also have a FEIN, if they:

- 1) Pay wages to one or more employees; or
- 2) File any excise tax returns, including those for alcohol, tobacco or firearms.

Otherwise, sole proprietors can use their social security number as their business taxpayer identification number. To apply for a FEIN, use form SS-4, Application for Federal Employer Identification Number. To receive an application, contact the IRS Hotline at 1-800/829-3676, TDD 1-800/829-4059.

THE FACILITY

Facility Location

Many competing factors will present themselves when evaluating a location for the new center. It is preferable that it be in an easy to find location, with good access and visibility. Unfortunately, locations of this type tend to be in higher traffic areas, which are less preferable for the safety of the children. A few options can help make both ideals possible. (Note: the Department of Children and Family Services has set standards with regard to facility location. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.) A circular driveway will allow parents peace of mind when unloading their children and picking them up, while providing easy access to the building itself. This provision also will increase safety to the children by forcing the building to be further back from the road. Fencing the property also is important.

A common possibility for using a vacant building is that of a grocery store or convenience store. Because of the open layout when shelving is removed, these facilities are easily customized. Also, the separate office spaces work well in a child care center by staying out of view of children and supplying a secluded place to perform the necessary paperwork for the center. The downside of these buildings is obviously the lack of outdoor play area, necessitating more creativity in interior design.

Outdoor Play Area

If the building the child care center is located in has sufficient open space with it, or if a community park is nearby, outdoor play time must be included in each day's activities, weather permitting. In the case of a community park, little can be done to affect its layout or safety concerns. On the center's, however, good planning can make play equipment safer and more enjoyable for all children.

It also is necessary to provide an area for the children to play that is not padded, such as a large concrete slab or blacktop area. The children can use this space to ride toys, play with balls and numerous other activities. It often comes in handy for lessons outdoors. (Note: the Department of Children and Family Services has set standards with regard to outdoor play areas. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.)

Indoor Design

The interior appointments of the child care center will be defined by the range of ages of the children, as well as by any special services offered. Design takes on two parts; childproofing

and utilizing available space. Both concerns must be evaluated to make proper use of space. If the interior of the building is being redesigned for the child care, childproofing can be done much more efficiently. Designs should include countertops out of reach of small children, locking drawers and cabinets, doors that are ununlockable from both sides, and covered electrical outlets. Many sources, including designers, can provide sound advice on childproofing to help avoid difficulties. (Note: the Department of Children and Family Services has set standards with regard to the interior design of the child care center. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.)

Utilizing available space in the child care center involves a combination of organizing different activities and age groups. A sound design will not only make running the child care center easier, it will make it a more pleasurable and appropriate experience for the children as well. It is a good idea to design the building to have loud areas and quiet areas. Putting the infant napping area at the opposite end of the building from the indoor play area is a good start. Evaluating the layout of the building and the intentions for the child care center itself will lead to more ideas of this sort.

Equipment Concerns

The equipment necessary for a child care center will be defined by the age and number of children being cared for. Infant children will each require a separate crib for naps, and older children and toddlers will require cots or small beds. Mealtimes will require high chairs for toddlers, and booster chairs for older children. Playpens also may be useful.

In general, it is best to check with Consumer Product Safety Commission before investing in equipment, especially if purchasing equipment from garage sales, flea markets and second hand stores. Over time, many products have been recalled, and it is the responsibility of the home child care owner to ensure the safety of the equipment used in the home child care. The Consumer Product Safety Commission can be reached toll-free at 800/638-2772 or via the Internet at www.cpsc.gov.

BUDGET

Though this information is mostly for child care centers, it would be pertinent for all child care business owners to review this important information. One of the primary concerns when having your own business is having a budget. A budget is a great planning tool. It provides direction for your business and can be used for both short term and long term planning. It is a good idea to review it frequently and to compare budgets over several years. If you are just getting started, it will be useful to project your expenses over three specific periods; pre-opening (or start-up), first year of operation, and full enrollment or the second and third year of operation. A budget is a tool that helps you to carry out your every day activities and ultimately your program's mission. Putting together a budget is a team effort and involves a lot of hard work. At a minimum, you should:

- Identify who will prepare the budget and how input will be gathered.
- Establish time lines for budget preparation, review and approval.
- Develop a procedure for revision of the budget when necessary.

First Year of Operation

The first operational year of any business can be stressful and a bit perplexing. Until your business becomes financially stable, income and expenses will be difficult to predict and manage. Enrollment generally builds much more slowly than you may expect. Unless parents are terribly unhappy with their present child care situation, they are generally very cautious about enrolling their children in a new program until they can see that it has proven to be a safe, quality learning environment.

In most circumstances, the first year will be a period of low enrollment. This means that for the first few months, you may be bringing in insufficient income to meet your expenses. Beginning enrollment rates of 50 to 60 percent are fairly typical and will build gradually over the first and second year.

During this period, certain expenses, such as rent or mortgage payments, will be “fixed” expenses. This means that regardless of the number of children enrolled, these expenses will have to be met. Therefore, when budgeting for the first year, it is critical to build in extra funds to cover the costs of expenses until your income stabilizes.

Full Enrollment Year (second and third year)

Your long-term planning also should include budgeting for a full enrollment year. This generally will be your second or third year of operation. This budget will be immensely useful to you in determining whether your business can support itself over the long term. Be conservative when estimating full enrollment. Rarely does a child care center have enrollment to their licensed capacity. It is best to estimate enrollment at 85 to 95 percent of capacity for full enrollment income.

Pre-opening Expenses

Generally known as start-up costs, pre-opening expenses usually will include (1) renovation or construction costs to meet licensing requirements and fire and safety codes, (2) equipment and major appliances, (3) supplies, (4) marketing costs, (5) insurance, (6) contractual services of accountants and attorneys, and (7) personnel costs to design and start your business.

Estimating Expenses

Estimating expenses can be a real challenge. It is best to get input from accounting and financial expertise. Often the area’s Child Care Resource and Referral agency can also be a good source of information in this area of your business. The following averages reflect typical operating expenses:

Personnel	60 – 75 percent
Occupancy	15 – 20 percent
Meals/snacks	3 – 5 percent
Supplies	3 – 5 percent
Equipment	2 – 3 percent
Insurance	2 – 3 percent
Other services	3 – 4 percent (Accounting, legal, training, transportation)
Profit/surplus	5 – 7 percent

Personnel

Pre-opening budgets will need to include a minimum of one - to two-month's salary for a director to organize the program, advertise, hire, and train staff. **Operational** budgets should include costs for regular staff and substitute staff including custodian and cook (if meals are prepared on-site), salary increases, and/or bonuses. Non-teaching time for planning, meeting with parents, attending staff meetings, and training may also be included in this section of the budget.

Benefits will include expected costs for social security, unemployment insurance and workers compensation; they may also include sick leave, holiday and vacation leave, health and disability, life insurance, and retirement. Research shows that personnel costs affect program quality more than any other factor. In a large in-depth study by S. Helburn at the University of Colorado of 401 school care centers in four states, a major finding was that higher quality centers spent more per child on staff wages and benefits and less on facilities, supplies, and programs, compared to lower quality centers.

Occupancy

Pre-opening expenses must include renovations or improvements needed to meet licensing standards, safety and fire codes, and zoning requirements. It is important to research these costs carefully. Enlist the guidance of your local DCFS licensing office and local fire, building code, and zoning inspectors to assist you with the planning process. These agencies often have strict standards and regulations that can change from time to time.

If you will be building or completing major renovations, it is very worthwhile to invest in the services of an architect who has experience designing child care facilities. Ongoing operational costs generally range from 15 to 20 percent. For example, a center with a licensed capacity of 100 children that charges \$80 per week should have facility costs of no more than \$58,240 per year: 100 spaces x 70% x \$80 per week x 52 weeks x 20%

Facilities

Should you Buy or Lease? Buying or building a facility has certain advantages. There is generally more control over design or remodeling decisions. And equity is a valuable asset for future financial security, investments, and short-term loans for special projects. Owning a building sometimes can be less expensive than renting or leasing.

The disadvantages of buying or building include a much larger monetary investment initially. Many banks are reluctant to make loans to individuals without an established track record. In such cases, it would be worth your while to search out other alternatives by consulting with the Small Business Development Center in your area. You can determine the location of the center nearest you by calling First Stop at **1-800-252-2923**.

Utilities

Pre-opening budgets should include utility deposits and expected utility costs. Deposit for phone and installation costs also may be included in this category. Occasionally, utilities are paid for by the landlord and included in the cost of the rent.

Equipment

Equipment is an item that will be used for more than one year. Generally, it includes furniture for children and adults, such as chairs, tables, cots, bookcases, toys, appliances, and playground

equipment. This will be a major expense for pre-opening budgets. Major equipment catalogs can provide you with a great deal of assistance in determining what equipment you might need for your program. Generally, you can estimate equipment costs at \$300 -- \$400 per child for start-up.

Supplies

Supplies generally are used and replenished within one year. Examples include paper, glue, paint, soap, napkins, craft material, and cleaning supplies. All too often, this is the first area where budgets are cut. It is important to remember that adequate classroom supplies are critical for a quality program. Children need to paint, draw, read, and create.

Infant care may require specific supplies such as diapers. School-age children often are very focused on arts and crafts activities and may need many more consumable art supplies than the preschool program. It is wise to look at the specific supply needs of each age group in your program. Ongoing costs range from 3 to 5 percent.

Insurance

A general liability policy is a costly but necessary expense. If you have liability insurance, the insurance company will defend you if you are sued, whether due to neglect, injury, accident, or allegation, if there is specific coverage in your policy for the particular situation. Liability insurance also may include coverage to pay expenses related to claims of child abuse, but coverage is limited. Standard general liability insurance policies cover four basic types of costs, when the insurance company is reasonably convinced negligence existed:

- Bodily injury, which includes physical injury, pain and suffering, sickness, and death.
- Damage to another's property, including both destruction and loss of use.
- Immediate first aid at the time of an accident; necessary medical, surgical, x-ray, and dental services including prosthetic devices; and necessary ambulance, hospital, professional nursing and funeral services.
- The legal costs to defend your center in a lawsuit if the injured party decides to sue.

In addition to the coverage available in a general liability policy, there are many other risks you may want to investigate insuring against, depending on your needs. It may be necessary to purchase a separate policy for some of these. For coverage on other risks you may add endorsements to your general liability policy. The endorsements also may amend policy limits, deductibles, or terms of cancellation or non-renewal. You will pay increased premiums for endorsements that broaden your coverage. Such endorsements may be for personal injury, product liability, fire legal liability, etc. Other types of insurance needed may be vehicle insurance, errors and omissions, medical or accident insurance, and property insurance. Research insurance policies very carefully. For more information on guidelines and purchasing, talk to your insurance representative.

Food

Meal costs can be calculated by developing a weekly menu, then dividing total meal expenses by the number of meals served and by the number of children served. Take into consideration that children of different ages may have different nutritional needs. For example, infants may need

formula and baby food. School-age children may not need lunch from your program, but do tend to have healthy appetites for after-school snacks.

Ongoing operational costs for food generally range from 4 to 11 percent, depending on whether food is cooked on-site or catered. Some programs find that it is more economical to have meals catered rather than cooked on-site. Individual meal charges are greater, but personnel costs for on-site food preparation are less. There also may be some limitations on food quality and availability. Food safety also should be a concern. Food can be catered from public school programs, supermarket deli services, or other community programs.

Marketing

Marketing costs will include stationary, envelopes, brochures, business cards, flyers, building signs, vehicle signs, yellow page directory listing, e-mail address if there is one, and newspaper ads.

Taxes

Taxes are among the business' most important aspects. It is important not only to understand, but also to be aware of the periodic payments schedules. Basic tax forms used in a child care business are: (a) Federal 1040 – US individual tax return, (2) Schedule C – Profit or Loss From Business, (3) Schedule SE - Self-Employment Tax, and (4) Form 8829 – Expenses for Business Use of Home. There are also informational forms such as the (1) W –10 – Dependent Care Providers Identification and (2) Form 2441 – Child and Dependent Care Expenses. For more information regarding taxes, consult with your tax consultant or accountant.

Other

Expenses for a variety of unrelated items also need to be budgeted. Staff training, printing and photocopying costs, postage, loan repayment of start-up costs, bad debt, and federal or state taxes are just a few of the costs that might be included in this category. Consultant costs for legal and accounting assistance should be included in the pre-enrollment budget.

Estimating Income

Is there enough need to support a new center-based child care in your community? Studies have shown that the effective implementation of the welfare-to-work reform has created a near crisis in the provision of quality child care in Illinois.

Projecting Enrollment

Projecting how many young children in your community are in need of child care, whether it is full-time or part-time care they need, or the differences in need for infant care, preschool care, or school-age is something you would have explored long before embarking on this project.

Studies indicate that financial viability for a center program that operates almost exclusively off tuition fees can be best maintained with an enrollment rate above 60 to 75 children. This figure takes into consideration required staff-child ratios, volume purchasing, and maximum use of facility space. Large centers averaging 100 – 120 children are much more profitable.

US Census Bureau statistics indicate child care center usage increases with family income. Families earning more than \$45,000 per year are twice as likely to enroll their child in centers as families with incomes below \$20,000.

Determining Fees

The expenses of a program will largely determine what amount must be charged for child care fees. The process of determining fees includes the following general guidelines:

- Identify the annual cost of the program and divide by number of children served to get the annual cost per child.
- Research the amount of money parents in the community can afford, or are currently paying.
- Analyze the types of fee systems and determine which method you feel most comfortable supporting.

There are basically three types of fee systems: flat fees, sliding-fee scales, and scholarships.

Flat fees – families are charged an equal amount of money for child care. This system is easy to implement and maintain. The flat fee system often is modified to allow for differences in care of children of different ages, for example, infants are more expensive to care for than school-age children. Therefore, a center might have a flat fee for infants, a second flat fee for preschoolers, and a third flat rate for school age children.

Sliding-fee Scales – families are charged different amounts based on their ability to pay. This practice helps make child care more affordable for low-income families. Some centers choose a sliding fee scale that subsidizes families at the low end of the scale by charging families at the higher end more than the actual cost of care. This method places the actual cost of care at the midpoint of the sliding scale.

Other centers place the actual cost of care at the upper end of the scale. Consequently, no family is expected to pay more than the actual cost of care. Reduced fees must be subsidized by outside contributions.

ADMINISTRATIVE CONCERNS

Facility Manager/Director

The Department of Children and Family Services has educational qualifications for child care directors and qualified staff. Educational background will determine who can assume control of the every day running of the child care center, or if it will be necessary to hire a manager or director of the center. This person should work well with and enjoy the company of children, communicate well with adults, be empathetic, and have a good sense of showmanship for attracting new clients. (Note: the Department of Children and Family Services has set standards with regard to personnel requirements. See DCFS, Rule 407, *Licensing Standards for Day Care Homes* - for details.)

Professionalism

Professionalism is an attitude; it is conveyed through your appearance and what you think, feel, say and do. Since the first contact made with parents is usually through the telephone, it is very

important for the person answering the phone to be skilled in phone etiquette. Parents should encounter friendly and articulate people on the phone who are courteous, able to answer questions and provide information. Always make sure the person answering the phone keeps a small notebook by the phone to jot notes as they speak, and get parents names, addresses, and phone numbers before ending the conversation. Make sure information about your center is sent out if requested and if possible, try to schedule an appointment for the parent to visit.

After you decide who will be responsible for answering the phone, make sure to keep two things in mind:

1. Try to understand the needs of the parent.
 - Ask questions about the child's age, hours and days of child care needed.
2. Share appropriate information about your program.
 - Don't tell everything.
 - Start with your strongest areas.
 - Be sure to discuss fees up front.

Child Pick Up

The procedure for child pick up may seem like a simple matter, but when the child is to be picked up by someone other than the parent or guardian, it becomes a matter of vital importance. For the safety of the child, it is necessary to have written permission from the parents or a listing of persons who are authorized to pick up the child. If the person that is to pick up the child is not on the list, have a procedure in place for staff to follow. It is too simple for a phone call to be placed impersonating a parent.

Parents will be very understanding of such rules for the most part, if you make it clear it is for the well being of their child. While it is unlikely that any problems would be encountered in the long run, it is still better to err on the side of caution. Obviously, the procedure becomes more intricate the more children the center is watching over. (Note: the Department of Children and Family Services has set standards with regard to child arrival and departure. See DCFS, Rule 407, *Licensing Standards for Day Care Homes* - for details.)

Record Keeping

What should be filed and readily accessible -- contracts, policies, financial statements and tax records, children's individual files, invoices, purchase receipts, local government rules and regulations, your business policies and procedures, etc.

Contracts

Contracts are of utmost importance in the event of a court action; they can be as detailed as you need them to be. Minimally, they should include:

- An admission agreement
- Specific beginning and ending dates
- Specific tuition rate for the student
- Specific services rendered for the tuition fee
- Signatures of all parties involved

Policies and Procedures

Policies and contracts are the ties that bind. The following are some important differences between policies and contracts that both you and the children's parents must know and understand.

Policies and procedures are designed to make a business run smoothly. Developing and enforcing policies and procedures are keys to having a smoothly operating child care business. Policies allow the parents to understand how you work with families and how you conduct business. Areas included in these policies would be the handling of back-up child care, child illness, drop-off/pick-up, emergencies, holidays, vacations, absences, etc. Procedures would include systematic activities on a typical day such as serving meals, nap times, discipline, and other.

Documenting All Income and Non-Income Resources

Child care businesses often have difficulty securing long term financing. Generally, this is because child care programs pull operating income from a variety of sources: enrollment fees, individual contributions, vouchers, loans, government grants, subsidies, and donated goods. Bankers and loan officers want to see a reliable stream of income to repay long-term debt. Keeping detailed and accurate records of all income and non-income resources will help you build your case if you should need further financing in the future.

Using a Computer in Your Child Care Business

In this age of high technology, a computerized accounting system is not only a wise investment for child care businesses, but more importantly, is the way people do business today. The volume and complexity of income and expenses that flow through a child care business require a well-defined and efficient bookkeeping system that can be maintained with a minimum of trouble.

Fortunately, many of today's financial spreadsheet programs are easy to use and understand with minimal training. In addition to the more widely recognized spreadsheet programs, there are also programs that have been developed specifically for child care accounting systems. Standard bookkeeping programs can be found in most stores that sell computer software. Specialized software often is advertised in professional journals such as Child Care Information Exchange.

A computer can also serve as an unlimited source of information and communication with other center's organizations, and state and federal agencies, as well as to the Internet.

Insurance

For a child care center, a number of types of insurance are necessary. First and foremost of these is liability insurance. Second is insurance on the building the center is housed in. Third is insurance for the employees and owners of the center. Finally, automobile insurance is necessary for any vehicles used by the center.

Liability insurance, unlike that for a home child care business, will only be available as a commercial policy. Depending on the policies available, an insurance agent can help arrive at the best overall plan for the center. (Note: the Department of Children and Family Services has set standards with regard to insurance requirements. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.)

ENROLLMENT

Interviewing Prospective Clients

Normally, the first contact with parents will be a phone conversation. When contacted, it is important to present a professional manner at all times, and make sure that all of the parents questions are answered. It may be helpful to keep a copy of a sample contract and policies next to the phone to be referenced during these calls.

Interviewing prospective children and parents is a task not to be taken lightly. This most likely will be the first meeting with the child and parents, and quite possibly the only meeting before a decision is made whether or not to enroll the child. Start with a tour of the center to show the child and parent where he/she will be playing, napping, eating, etc. Pay close attention to the relationship between the parent and child. Communication and language are very important to a child.

Talk to the parents separately from the child about discipline policies the parents have, and how they compare with your own. (Note: DCFS licensing standards strictly prohibit physical punishment and verbal abuse.) Go over menus for the child care, and foods the child likes or dislikes. This is also a good time to find out any allergies the child has to common foods or other sources. Discuss the parent's work schedule, and who will be responsible for prompt drop-off and pick up of the child (including other authorized individuals).

It also is important to spend some time alone with the child. Many children will act differently when their parents are no longer present, and it is necessary to evaluate just how much of a difference will be present when the child is in care full time. Ask simple questions to be familiar with the child's daily life. Does he/she have any pets, favorite snacks, or TV shows?

Finally, discuss any decision with the parent(s). If you feel the child care center cannot appropriately care for the child, explain why. The parent(s) should feel that at all times they were treated fairly, but should also keep in mind that it is a business, and the provider's decision.

If you and the parents have agreed to enroll the child in the program, discuss the possibility of a trial period. Therefore, at the end of the prearranged time, or even before, if either party thinks that the arrangement isn't working, it can be terminated. It usually is a good idea to be paid in advance for the length of the trial period in case the contract is terminated prematurely.

Advertising

A good advertising campaign is crucial to the success of a child care center. This money must be well spent to be effective. A few areas that will be covered in the advertising budget include a visible, attractive sign; newspaper and radio advertisements; and advertising at local businesses.

The sign should be eye catching and informative. Include name, phone number, address, normal hours, and any special programs offered. City ordinances will restrict the size of the sign, so make the most efficient use of the space allowed. A professional sign painter can help with a layout that will be most effective.

Business cards should closely mirror the sign in content. While they may seem a simple item, they are an inexpensive way to assure that the child care center will be given a second look. They

also can be printed for staff, in which case they will be a very effective and wide-reaching advertising tool.

Start advertising the center before it opens to be sure that a decent number of children are in attendance on the first day. Newspaper ads and radio ads will be an effective and inexpensive tool to accomplish this. Also, place a yellow pages ad. Remember that these must be placed well in advance of the publication date.

After the grand opening, continue to advertise often until enrollment goals are reached. Once this occurs, it is still important to advertise, but a less aggressive approach is necessary to replace those children who will be leaving care. A smart time to increase the level of advertising is around the beginning of the school year when the greatest number of children are lost as they begin classes.

The Brochure

A very specialized form of advertisement that most child care centers will find particularly useful is a well produced brochure about the center. This should be a clearly thought out, very complete brochure. It is the first opportunity to provide prospective customers the chance to see a write up of all the services provided, as well as reasons they should choose this child care center over competitors. A fairly small investment in a high quality brochure now could generate a large payoff in business in the future.

One possibility to cut costs on the brochure is to look into the possibility of working with a local college's advertising classes. Contact with the instructors will quickly determine whether they would be interested in this type of real world experience for their students. Another low cost option is hiring a freelance advertising copywriter. These ideas pertain only to the design portion of the brochure, as the printing should be handled by a reputable professional firm. Copies of the brochure should be distributed in a somewhat different pattern than business cards. These are the most informative publications of a business, and they should be given to all prospective clients, employees, your local chamber of commerce, and distributed at local business fairs.

DAILY ACTIVITIES AND CONCERNS

Scheduling

The activities for a child care center will need to be scheduled and routine from day to day. While the individual activities may change, the times in which they occur should not. In this way, the children will become accustomed to certain activities at certain times.

Certain daily events should not change times. These include meals, snacks, and nap times for younger children. These activities will become part of the child's daily routine over time, and they will begin to look forward to their favorite activities. (Note: the Department of Children and Family Services has set standards with regard to programs and scheduling. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.)

Special Guests and Field Trips

From time to time, guests may be invited to speak to the children. These should be both fun and educational for the children. Popular guests include police officers, firefighters, and others which can provide useful skills to younger children.

Field trips may be limited to older children because of nap times and other challenges. Popular destinations include parks, museums, nature areas and local landmarks. As these will often incur some expenses, such as transportation, it is necessary that parents be advised well in advance of any fees that need to be paid for their child to participate. Because of safety concerns and liability, transportation for such field trips should be limited to the use of school buses.

Meals

The center will be providing one hot meal and a snack each day to the children. (See the Government Matters section of this profile to learn more about the Child and Adult Care Food Program.) Because of the number of children to be served, it may be necessary to hire a cook or assistant to aid in food preparation. Depending on the size of the center, this cook may be responsible for preparing not only lunch, but snacks during the day, and breakfast for children if it is offered. Menus will need to be set in advance, and should be approved by a nutritionist. It is customary to provide two snacks for the children each day, and these, too, should be approved by a nutritionist. (Note: the Department of Children and Family Services has set standards with regard to nutrition and meals. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.)

It also will be necessary to have enough tableware and seating for all of the children. This will be a startup expense and will vary depending on the children being provided food. Most children will eat at the same tables and chairs at which they play and do activities. Some exceptions would be toddlers requiring high chairs and infants requiring special feeding routines.

Special Services

Revenue building services can be valuable sources of cash flow with the added space and staff of a child care center. These include offering extended hours of care, extra meals or supplemental classes such as gymnastics and dancing. License limitations, insurance constraints and staffing will determine which activities to consider adding to the child care center. (Note: the Department of Children and Family Services has set standards with regard to the special services that can be offered. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.)

GOVERNMENT MATTERS

State Regulations

There are several state regulations involved in running a child care facility, of which the most important is the actual license to operate a child care facility. (The Department of Children and Family Services has set standards with regard to licensing requirements. See DCFS, Rule 407, *Licensing Standards for Day Care Centers* - for details.) Operating a child care center without this license is unlawful. The license itself is free, and lasts for three years for child care center. It should be noted that application time ranges from two to six months on the average, so the application should be applied for far enough in advance that it does not infringe on the time scheduled to open the child care center. Applying will involve a criminal background check, a search of the Child Abuse and Neglect Tracking System and a search of the Statewide Sex Offenders Registry. Most denials will result from a past record of child abuse, neglect, or

criminal activity. At the same time, the Department of Children and Family Services will perform an on site inspection for safety and staff compliance.

Fire Safety Standards

Fire safety standards also need to be addressed. The standards change depending upon the age of the building, its previous uses, and local government jurisdiction. Inspections are conducted by the Office of the State Fire Marshal (OSFM), and frequency of inspection varies depending on the building's occupancy. The OSFM also will review plans for new buildings to eliminate costly oversights in conforming to the standards. If standards are not met at times of inspection, fines may be levied, or in extreme cases, the business within the building may be forced to cease operations until the structure is brought back in line.

All seating furniture in the child care must comply with certain standards. The requirements change depending on the presence of an approved sprinkler system. With one, the furniture must comply with the State of California, Bureau of Home Furnishings Technical Bulletins 116 and 117. Otherwise, the furniture must be in line with Bulletin 133. Labels explaining compliance should be affixed to all of the furniture, which may be reviewed by the Office of the State Fire Marshal in their inspection.

The Child and Adult Care Food Program

The Child and Adult Care Food Program (CACFP) is a federally-funded child nutrition program through the United States Department of Agriculture (USDA). The purpose of the program is to encourage licensed child care centers, outside-school-hours programs, and licensed home child care businesses to provide more nutritious meals to children in nonresidential child care settings. Homeless shelters are also eligible to participate in the CACFP when children and their parents / guardians are living in a temporary shelter.

The amount of reimbursement provided for the meals and snacks is based on the household income for each child and or low income area eligibility. The amount of reimbursement varies. The child care center and home child care business receive different rates of reimbursement for the children's meal.

The type and amount of food served to children must meet the established guidelines for children and infants. Eligible child care centers and home child care businesses can receive reimbursement for breakfast, lunch, supper and snacks served to enrolled children. The maximum number of meals a child can receive each day is two meals and one snack or one meal and two snacks. Homeless shelters may claim up to four meals served per child per day.

If you would like more information regarding the CACFP, contact the Illinois State Board of Education, Nutrition Programs and Education Services, 100 North First Street, Springfield, Illinois 62777-0001 or call 800/545-7892.

Employment Related Child Care Subsidy Program

The Employment Related Child Care Subsidy Program administered by the Illinois Department of Human Services is a program that every child care provider should be familiar with. This program provides funding for child care expenses and is available for families with gross annual income at or below 75% of the median income in Illinois (adjusted by family size) where the parents are working or in an education or training program. Families may apply for a subsidy

under this program by completing an application with the Department of Human Services Regional Office serving their county. Applications must be completed by parents and are evaluated for approval by regional Department staff. This program will apply only to those child care centers that have gone through the proper steps to receive funds from the Department of Human Services. For more information on Employment Related Child Care Subsidies contact:

Department of Human Services
Office of Child Development
406 East Monroe Street
Springfield, Illinois 62701
(217)785-2559

Note: Every effort has been made to ensure that the information contained in this document is comprehensive and accurate. However, this is not a legal document and should not be used to determine legal liability.