



Connecticut Child Care Center Operating Budget Basics: Calculating Your Bottom Line

Peg Oliveira, PhD

June 2005 (revised)

Just as with a family budget, it is important for child care centers to determine if their monthly income will be sufficient to pay each month's bills. An operating budget will define a "break even" point (i.e., what income must be received per child to operate a child care center without creating a deficit). If the amount in parent fees that must be received per child is greater than what parents can afford to pay, the budget can show how much funding in addition to parent fees will be needed to support the program. The following short primer provides some guidance in constructing an operating budget for your program.

Costs (Expenses)

Major child care center costs fall into five functional areas.¹ One way to look at expenses is categorize them by function. The amount spent on each of the following primary areas should fall within the ranges given below. A marked deviation from these percentages can affect quality.

FUNCTIONAL AREA	RANGE
Child Care and Teaching (teachers' salaries, FICA, health insurance, training, turnover costs, additional staff, classroom equipment)	50% - 60%
Administration and Supervision (administrative salaries, accounting fees, office supplies, phone, licensing fee, advertising, legal fees)	12% - 20%
Food Program (food, kitchen, supplies, kitchen staff)	6% - 19%
Occupancy (rent/mortgage, taxes, maintenance, repairs)	10% - 20%
Other (health consultation, social services, transportation, field trips)	5% - 20%

A "shortcut" for calculating total per child costs. One quick way to estimate per child costs is to divide the average annual salary in your program by the number of children per each staff member, and then multiply by two, as illustrated in the following chart:

Average Salary	Staff: Child Ratio	\$20,000/10 X 2
\$20,000	1:10	\$4,000 per child

¹ See Child Care Inc., *Operating Budgets for Child Care Centers* (2001) available at: www.childcareinc.org/pubs/OperatingBudgets.pdf

When estimating your costs remember:

Child care is labor intensive. Personnel costs are the largest expense, typically averaging about 70% of total costs. If salaries are too low, it will be more difficult for you to attract and retain qualified staff. In addition, turnover is costly, and can increase when teachers are attracted to jobs either in a related or non-related field that pay higher salaries and offer better benefits. Typical salaries in CT are:

POSITION	Median Hourly Wage (2001) ²
All Centers (all ages)	\$10.00
All Centers (0-5 year olds)	\$10.00
Head Start	\$10.61
School Readiness	\$11.00
State Funded Centers	\$10.00
Non-Public funded centers (0-5 year olds)	\$10.00

Quality standards define some key “minimum” requirements that affect cost. Connecticut law and regulations define the maximum group size and the maximum child-to-staff ratios permitted for child care center licensure.³ It is preferable to have at least two staff in each group of children. Certification and training costs must also be considered in planning staff costs.

AGE OF CHILD	CHILD: STAFF RATIO ⁴	MAXIMUM GROUP SIZE
2 – 27 months	4:1	8
3 years and over	10:1	20

Income (Revenue)

Parent Fees: The primary source of income for a child care center will come from fees paid by the parents. Parent fees in child care centers in Connecticut at this time range from \$100 to \$350 per week for infants and toddlers, and from \$66 to \$350 per week for preschoolers, depending on the community served.

Subsidies: It is financially beneficial for a center to augment its income from parent fees by applying for subsidies like food subsidies through the USDA food program, and assisting its families in applying for and securing subsidies for which they may be eligible, such as the child care subsidy through DSS.

Other: In addition to these sources of income, if revenues remain insufficient to meet the center’s costs, you can seek grants for operations and/or do some fundraising.

When estimating your income remember...

As a general rule, estimate your revenue from parent fees assuming you are operating at 70% capacity. There is high turnover of children in most child care centers. Planning at less than maximum capacity allows you a financial buffer to handle these transitions.

Income from subsidies is variable. Potential income from subsidies will vary depending upon the income levels of the families you serve. Since family eligibility can change frequently, the amount of revenue from subsidies may fluctuate from month to month.

² Connecticut’s Child Care Workforce: A Report on Findings from the 2001 Child Care Market Rate and Workforce Study. (2003). Early Childhood Data Connections.

³ Connecticut Department of Public Health, Statutes and Regulations for Licensing Child Day Care Centers and Group Day Care Homes, Section 19a-79-4a.

⁴ When there is a mixed age group the lower required ratio for the age of the youngest child prevails.