Spending Strategies for New or Expanding Businesses

DECAL
Thriving Child Care
Business Academy

Navigate common costs associated with launching a new child care program or growing an existing one

Even before you open or expand your child care business, you will have many expenses that you will need to pay for. You will need to consider the cost of licensing, materials, supplies, staffing (including staff training, marketing, equipment) and much more. This list doesn't even include what you might need to pay to secure your location and make sure that it is up to code and ready to serve young children.

Planning ahead and deciding where to spend your money can seem overwhelming, but it does not have to be. This tool will help you to navigate common costs associated with launching a new child care program.

How Do I Plan my Spending?

Once you have determined to open a new child care business, your first thought is likely about where you will find the money to open it. There are two types of costs to consider as you prepare: start-up costs and operational costs. Start-up costs are the costs associated with launching your new or expanded child care business. Operational costs are how much it costs to continue to run your business once it is open. You'll need to consider both types of expenses.

Start-Up Costs

It's best to have a realistic idea of your start-up costs and compare them to your anticipated funding for the business to understand if there are any gaps. Following these four basic steps will ensure that you are strategically using your financial resources as part of your plan for a successful start-up:

- Step 1: Make a list of all your costs.
- Step 2: Make a list of all your funding sources.
- Step 3: Match your costs and funding sources.
- Step 4: Develop a plan for any additional funding needed.

Step 1: Make a list of all your costs

Your start-up budget should include a list of everything you need to launch your new child care business. These costs will usually fall into these categories:

- Personnel (includes your staff wages, benefits, and payroll taxes; could also include training expenses.),
- Supplies (includes classroom, office, and general building supplies),
- Equipment (including classroom and office furniture, outdoor equipment, and technology),
- Construction or renovation costs,
- Operating costs (includes rent or mortgage, utilities, communications, and insurance),
- Marketing and advertising,
- Permitting fees,
- Taxes,
- Tuition (covering fees for enrolled children), and
- Other/miscellaneous category.

Think through your expansion or start up project and put together a list of all your anticipated expenses and cost estimates within these categories. Include as much detail as possible, including how much you expect each part to cost you. You can find worksheets to help you start your list in Attachment A.

Step 2: Make a list of all of your funding sources

Most business start-ups will involve spending money before you begin to bring in much revenue. Since you may not have any revenue to invest in your business, you will need to identify the sources that this initial funding will come from. Your list of funding sources will include sources that are already committed, pending, or anticipated, and how much each will contribute. For example, if you need financing for your start-up, you will want to understand if those funds are already in the process of being paid to you and/or what the likelihood of receiving them will be. Take a moment to list all your available funding sources and whether there are any restrictions on how you use those funds, like the example below.

Available Funding Sources Worksheet		
Funding Source	**Amount**	**Spending Limitations Y/N**
Small Business Start-Up Loans	$ XX.XX	Yes
Personal Investments	$ XX.XX	No
Grants/Subsidies	$ XX.XX	Yes
TOTAL		

See Attachment A for funding and cost worksheets.

Step 3: Match your costs and funding sources

Now that you have identified all your expenses and your funding sources, you can match your available funding to your anticipated costs. Set up a simple list or a table, like the one below (See Attachment A):

Funding Allocation Worksheet		
Description of Cost	**Amount**	**Allocated Funding Source**
TOTAL		

As you begin to assign a funding source to each anticipated cost, make sure that you prioritize how to pay for these costs.

Look at any barriers you have to opening a child care program or expanding and then prioritize those areas with your funding. If you have areas that need to be updated due to safety concerns, such as your kitchen area, fire suppression system, fencing, and/or security needs, then prioritize your funds for that area. Additionally, look at your larger expenses. Payroll is usually the biggest expense a center has. For a home, it could be your ongoing rent or mortgage and utilities payments.

Step 4: Develop a plan for any additional funding needed

Once you have completed allocating your available funding toward your anticipated costs, you may find yourself in a situation where you still need additional funding. There are a couple of tasks that you can take to make a plan to effectively fund your project.

1. Revisit your pricing: Ensure your pricing (tuition) is accurate and up to date. Oftentimes, child care businesses underprice their services in efforts to increase access to care or aim towards fuller enrollment. However, as a business, it is important to ensure that your pricing accurately reflects the needs of your business and sets you up for financial success. *To learn more about pricing, see our guide on how to set rates.*
2. Trim your costs: Are all your expenses necessary? Look at your budget and see if there is any trimming or postponing that can be done. Look at recurring costs like subscriptions or items that you can put on a list of future goals. *Don't forget to look at automation options that can help you better manage your time.*
3. Explore loan options: Taking out a loan is a big responsibility. However, sometimes the benefits will outweigh the risks of taking on additional debt. *Learn how to understand when a loan is a wise choice for your business in our* online guide.

4. Bootstrapping is a term that refers to starting a business using a combination of personal savings and revenue generated by the business to fund its growth. Businesses that opt for this approach may experience slower growth but may also have less debt and (therefore) greater profit. While it requires a bit of penny-pinching, planning, and continual reinvestment in your business, it also means you retain full control and ownership without taking on external debts.

Operational Costs

Once your program is up and running, you will have regular operational costs to cover as well. Here are two steps you can take to make sure you are well-prepared and your business is set up for success.

Step 1: Develop a monthly budget

When planning for your business, a budget functions like a detailed map that guides your financial journey, outlining your planned route and helping you avoid detours. A budget is a simple tool that will help you plan ahead for what you expect to spend as well as what you expect to receive in terms of revenue. Create your budget by gathering your income and expense documentation for your business, building out estimates by month, and then tracking actuals to improve your estimates. For more information, see our tool on building a monthly budget.

Step 2: Create your cash flow forecast

Where your budget is your financial roadmap, cash flow is the compass that orients you in real-time, indicating your immediate financial direction and allowing you to adjust course as needed to stay on track. In its simplest form, a cash flow is a comparison between your expenses and your income that helps you to understand how much cash your business will have on hand each month. By using a comparison of historic time frames and scenarios, your cash flow can give you the best, base, and worst-case cash positions to help you plan ahead.

To create your cashflow, we recommend using our cash flow workbook. Be sure to consider your start-up costs, as well as the time it takes to reach full enrollment, when you open because both will impact your cash flow.

Additional Resources

If you have questions or need help, assistance is available.
GaPDS Website
DECAL Thriving Child Care Business Academy Website
To Find Other Study Guides: Click on Resources on the Academy home page
To Find Training: Click on Trainings on the Academy home page
To Register for Training: Click on Schedules & Registration on the Academy home page
To Sign Up for Study Groups: Fill out the Intake Assessment
For questions about coaching or study groups: Email GAcoaching@civstrat.com

To Find Other ECE Resources: Visit the DECAL Website
For General Questions about the Academy: Email thriving@decal.ga.gov
For More Information:
Family Child Care Learning Home Rules and Regulations
Child Care Learning Center Rules and Regulations

DEVELOPED AND DESIGNED BY CIVITAS STRATEGIES

Attachment A

Funding and Cost Worksheets

Available Funding Sources Worksheet		
Funding Source	**Amount**	**Spending Limitations Y/N**
TOTAL		

Expected Costs Worksheet	
Description of Cost	Amount
TOTAL	

Funding Allocation Worksheet		
Description of Cost	**Amount**	**Allocated Funding Source**
TOTAL		