



## **CCEI957P1: Budgeting Basics for Directors: A Practical Application Course Handout**

### **Welcome to CCEI957P1:**

This course is designed as a follow-up to *CCEI956: Budgeting Basics for Directors, Part 1*, and *CCEI957: Budgeting Basics for Directors, Part 2*. If you have not already taken those courses, please do so now. In this course, participants will apply strategies and skills covered in the prerequisite courses.

### **Objectives:**

By reviewing the information in this course, completing the observations, and successfully responding to assessment questions, participants will meet the following objectives:

- Define the three parts of an operating budget
- Demonstrate knowledge about developing a fee structure and increasing revenue
- Demonstrate the ability to conduct a cost-benefit analysis
- Identify the pros and cons of cost-cutting

### **Practical Application Exercises**

The following exercises will assist you in preparing for work with budgeting processes and procedures in your early care program. Your responses should be clear and specific to each question. Draft responses to each of the following questions before logging back into the course to submit your answers.

- 1) As you learned in the previous courses in this series, a typical operating budget has 3 parts:
- a. A synopsis or summary of the program (including purchases, plans for expansion, or other important financial matters anticipated for the upcoming year).
  - b. Itemized descriptions of anticipated expenditures, including direct costs and indirect costs.
  - c. Itemized descriptions of anticipated revenue from all sources.

This is one of the planning stages for budget development. Imagine that you are about to open your own center. Describe each of these parts as they relate to your 'new center.'

2) Determining how much you can charge is an important part of your budget, as it drives your incoming revenue. Knowing what others charge helps you make this decision. Research at least five other child care operations in your area and find out what their fees are. Explain what you found and develop a fee structure based on this knowledge. You will need to explain why you are choosing to be higher or lower than the competition. To save time, you may choose to focus only on fees charged for infants, toddlers, or preschoolers instead of developing a complete fee schedule.

3) Fundraising is another way that you can add revenue to your center. Some centers choose to sell wrapping paper or cookies or have carnivals. This exercise requires you to research three potential fundraising opportunities. Report back on what you found (including how each program works, what percentage the center would get, etc.) and estimate the potential revenue that you could derive from each. Explain how you got your figures.

4) Another important guideline in determining fees is the "10 Percent Rule," as you learned in earlier coursework. In this exercise, you'll need to do research to find out what the average household income is in your area. Based on this information, apply the 10 Percent Rule to determine how much the average family could pay for child care each year. Be sure to include the specific area that you used in your research. Once you get your answer, explain how it compares to the competitive research you did.

5) You are considering adding another preschool room to your center. The exercise takes you through the process of doing a cost-benefit analysis. You have an unused room but need materials, staff, etc. Put together a list of the costs associated with adding the room (initial and ongoing) and estimate the revenue generated by the enrollments from the new room. In your answer, give these details and assess whether adding this room is a good idea or not and why.

6) Assume you have three preschool rooms, each with a capacity of 18 students. You run a 9:1 student-teacher ratio. All classrooms are staffed at full capacity. Room A has 15 students, Room B has 11 students, and Room C has 10 students. You need to make some budget cuts to better balance your budget. Make two suggestions on what you could do and give the rationale for each suggestion. Discuss the potential positive and negative outcomes of each suggestion.