

Section 4

Raising Money



Often, the biggest challenge to developing or improving a child care facility is raising enough money to pay for it. This section explains:

- **how** to determine the cost of a facility project; and
- **where** to find the funds.

HOW MUCH DOES IT COST?

The answer depends on many factors: Are you leasing or purchasing the space? Renovating an existing building or constructing a new one? How large is the project? For a ballpark figure, it may help to know the cost of other facilities in your area. But eventually you will need to develop a realistic budget based on your own program, site and building needs.

WHAT IS A CAPITAL BUDGET?

It's all of the one-time expenditures that go into the facility project, also referred to as a “*development budget*” or a “*sources and uses budget*.”

The capital or development budget for the facility includes:

- property if you are purchasing a building and/or land;
- construction and landscaping including materials and labor;
- indoor and outdoor equipment and furnishings for children's and adult spaces;
- professional services for project planning and oversight, including architects, engineers and lawyers; and
- fees, taxes, insurance and other expenses before or during construction.

HARD & SOFT COSTS: A capital budget is often divided into two groups – “hard costs” and “soft costs.” Land, buildings and equipment are called hard costs because they are the “hard” physical items you can touch. Professional services, taxes and other fees are considered soft costs.

A *capital budget* is different from an *operating budget*. The operating budget is probably familiar to any child care provider who prepares an annual budget. The operating budget includes program income (state operating subsidies, parent fees, etc.) as well as program expenses (staff salaries, utility bills, food, transportation, etc.) related to the ongoing delivery of the child care program. See Appendix 4A for a sample operating budget.

The *capital budget* includes only the *one-time* costs related to construction or renovation – even if the project takes several years to complete. The capital budget has two parts – “sources” (grants and loans) and “uses” (what these resources will pay for – construction, materials, professional help). See Appendix 4B for a sample capital or development budget.