

## SBDCs Can Help Grow and Sustain the Child Care Industry

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### BACKGROUND

In the Spring of 2006, the Building Child Care Project staff interviewed 11 small business development centers and intermediaries around the state of California.

The purpose was four-fold:

- To uncover best practices among small business development centers which provide services specific to the child care industry
- To understand the challenges involved in serving child care providers
- To learn about the structure and funding of the small business development center system
- To prepare a strategy for training other small business development centers

The following is a summary of the findings from these interviews.

**If you are an SBDC or small business intermediary and would like to learn more about helping child care businesses, please contact Susie Smith at (510) 251-2600x108 or [ssmith@nedlc.org](mailto:ssmith@nedlc.org)**

### SUMMARY OF FINDINGS

#### **I. Benefits to SBDCs of Serving Child Care Providers**

- *Helps meet SBA goals/milestones*, including:
  1. Number of workshop hours and attendees
  2. Number of counseling hours & people counseled
  3. Number of minority and/or women served (“secondary” goals)
  4. “Economic impact” goals:
    - Number of jobs retained/created
    - Percentage of sales increased
    - Number of loans
- Leverages money / is a source of income through contracts for industry-specific trainings
- Fosters community development
- Serves businesses and workforce so people can go to work – double benefit
- Contributes to child development
- Helps community, family and businesses

#### **II. Best Practices SBDCs Serving Child Care Providers**

##### **a. Types of Business Services Are Provided/Demanded**

- *Financing* to expand or start facilities in their home
- Business planning assistance/financials
- *Marketing/selling* service: close on conversation to get an order; sell benefits
- Loan packaging
- *Bookkeeping*
- *Parental contracts* (writing/enforcing)

- Pricing
- Accessing public subsidies e.g. Head Start, free lunch program
- *Legal structure/taxes*
- Financing for facility development and/or home renovations
- Home-based also need assistance with:
  - Home purchase
  - If own, home equity line of credit
  - Other financing for renovation, equipment
  - Under \$25,000 business financing packages available, if have decent credit; do not need a great deal of loan packaging
  - Improving credit score

**b. Characteristics of Successful Models**

- **Collaboration with local resource and referral (R&Rs)** agencies is critical, including: co-marketing of workshops and encouraging/requiring business training for child care licensing; and referring child care businesses to SBDC for further 1-1 counseling
- **Co-locate child care intermediaries with SBDC offices** and/or other financial intermediaries (e.g. Kern co-located LINCC in SBDC office, along with SCORE, minority business development center and others.)

**c. Examples of Best Practices**

- **ChildCare Ventures** (in partnership w/**Central Coast SBDC**) got a grant from Wells Fargo to help child care providers with small business assistance, including:
  - Business training and 1-1 technical assistance for child care operators and providers
  - Child care business operational and fiscal analysis
  - Child care facilities pre-development
  - Helped form an **association of family child care home providers** so that they have a network to exchange best practices and promote skill-building opportunities
  - Created **Economies of Scale** project for **center-based providers** to reduce costs through bulk purchasing of food, insurance, etc.
- **Southwestern College Small Business Development & International Trade Center (Chula Vista):**
  - Received a HUD grant to develop a micro-enterprise family childcare program
  - Partners with Family Resource Center
  - Offers 12 week training (in Spanish) that combines a business course with child development and health and safety curriculum
  - Offers small business loans through ACCION

**Other Examples**

- Annual **roundtable of lenders** for facility development and small business loans
- SBDC directors made scheduling staff aware of the child care experts on staff or on contract with SBDC so they could funnel callers/clients to those with industry specific knowledge

- **Industry Driven Regional Collaborative** – one SBDC region is discussing adding child care as a sector focus
- Honor child care providers in its annual Small Business of the Year Award

### **III. Challenges/Unique Aspects of Serving Child Care Providers**

- Highly regulated industry
- Staffing aspects (e.g. required adult/child ratios; swing staff shifts)
- Spatial issues (e.g. maximize profit by allowing maximum adult/child care ratio)
- Subsidies / vouchers
- Marketing (e.g. getting that first child, word of mouth more important here)
- Pricing issues
- Unique culture of providers
- Planning/land use issues
- Contracting issues with customer
- Liability issues (e.g. must stay until last child picked-up; what if parent is late?)
- Small section of regular business training needs to be specific to child care industry
- Child care providers themselves (e.g. very business; reluctant to get business training; linguistic and cultural issues -- if not compatible with SBDC staff; geographically spread in rural areas)

### **IV. Strategy for Building Capacity of SBDCs to Better Serve Child Care Providers**

- a. **Organize a training for SBDCs in your area to learn more about serving child care providers**
- b. **Who to Include**
  - SBDC directors
  - Child care intermediaries
  - Resource and referral centers (help R&Rs & SBDCS connect to each other)
  - State licensing representatives
  - Lenders
  - Contractors
- c. **Content / Materials**
  - Red Leaf's Family Child Care Starter Kit (\$70/kit)
    - Includes sample spreadsheets, contracts, polices, recordkeeping;
  - Child Care Center Financial Planning and Facilities Development Manual: at [www.buildingchildcare.org/publications\\_ccc.htm](http://www.buildingchildcare.org/publications_ccc.htm)
  - Family Child Care Financial Planning and Facilities Development Manual at [www.buildingchildcare.org/publications\\_ccc.htm](http://www.buildingchildcare.org/publications_ccc.htm)