**Child Care Provider Expansion Initiative**

**Project Budget Narrative Guide and Template**

**What do I include in a Budget Narrative?**

As part of the Child Care Provider Expansion Initiative application, applicants must provide a Budget Narrative to describe all costs associated with the implementation of their expansion/opening business plan. When completing your Budget Narrative, be sure to record **all costs related to your expansion/opening business plan, including costs which are not eligible expenses under the Initiative**.

When drafting your Budget Narrative, keep in mind that it is a tool to categorize the expenses related to your expansion/opening business plan. In recording your expected costs, you will want to provide the justification of each line item included in your budget, clearly showing how and why each line item has been included along with the estimated cost of each.

A complete budget will include line items you hope to be covered by the Child Care Provider Expansion Initiative funding **as well as those covered through other funding sources**. You should also include in-kind (donated) goods or services, if any. Note which funding sources that you anticipate or have already identified and the amount you anticipate receiving from that source.

The more detail you can include in your narrative, the better. Descriptions should clearly state how and why each line item will help you implement your business plan. Be sure to provide a comprehensive and complete list that includes **every** cost associated with your expansion/opening business plan.

**Budget Narrative Template Instructions**

**You may use the following Budget Narrative Template or your own separate document.** The categories in this template are presented as suggestions. Depending on your expansion/opening plan, you might not need to plan for expenses in some of these categories.

**Personnel:** List each staff position needed as part of your business plan. Include each person’s position title, job duties, hourly wage, average hours worked per week, and anticipated annual wages. Add together each staff member’s annual wages to find your category total.

**Note for Home Providers:** Sole proprietors can include the wages they collect as long as wages are issued in accordance with the [Paying Yourself Guide.](https://www.childcare.texas.gov/paying-yourself?hsLang=en)

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| **Personnel** |
| **Position Title** | **Job Duties** | **Hourly Wage** | **Hours Worked per Week** | **Annual Wages** (Multiply hourly wage x hours per week x 52) | **Anticipated / Identified Funding Sources** (if any) |
| EXAMPLE: Teaching Assistant | Assist with classroom supervision and provide support for supervising teacher | $14 | 40 | $29,120 |  |
| EXAMPLE: Satellite Site Manager/ Head Teacher | Oversee all site operations and supervise satellite site personnel. | $20 | 40 | $41,600 |  |
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**Payroll Costs, Including Taxes and Benefits:** Include mandatory fees and taxes required by state and federal laws. Also, list employee benefits and a description of each below. Include benefits such as insurance, retirement, or tuition reimbursement. Calculate an annual cost for each and combine for your category total.

**Note for Home Providers:** Sole proprietors must include self-employment taxes of 15.5% for wages paid to self.

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| **Payroll Taxes and Fringe Benefits** |
| **Tax or Benefit** | **Description** | **Annual Cost** | **Anticipated / Identified Funding Sources** (if any) |
| EXAMPLE: Federal payroll taxes (FICA) for all salaries (7.65%) | Total Annual Wages x .0765 | $5,410.08 |  |
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**Supplies:** Supplies are items which you run out of and need to buy more of on a regular basis. List supplies you will need to implement your business plan. As needed, include enough detail so that reviewers understand items' purposes and the reasoning behind how you calculated the item's annual cost. Combine total cost amounts to reach your category total.

**Note for Home Providers:** If you have any supplies purchased for a mix of personal and business use, the [time/space calculation](https://www.childcare.texas.gov/time-space-calculation?hsLang=en) must be used to calculate the portion of the expense which can be attributed to business use. For example, if you have a box of bandages available for both your family of five people plus five children enrolled in your care who do not reside in your household, use your time-space percentage to calculate the portion of the cost of bandages which is attributed to business use.

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| **Supplies** |
| **Item(s)** | **Description** | **Annual Cost** | **Anticipated / Identified Funding Sources** (if any) |
| EXAMPLE: Office Supplies | Printer paper, toner, file folders, staples, etc. Estimated cost is $50 per month.  | $600 |  |
| EXAMPLE: Children’s diapers | On average, we go through 40 diapers per day (200 per week) for 5 infants enrolled. 200 diapers x 52 weeks = 10,400 diapers. Diapers are $43 per 164 count. 10,400 diapers / packs of 164 = 63.4 We will need 64 packs of diapers. | $2752 |  |
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| **TOTAL** |  |  |  |

**Equipment:** List equipment needed to implement your business plan. As needed, include enough detail so that reviewers understand items' quantity, purpose, and reasoning behind how you calculated the item's annual cost. Combine total cost amounts to reach your category total.

**Note for Home Providers:** If you have any equipment purchased for a mix of personal and business use, the [time/space calculation](https://www.childcare.texas.gov/time-space-calculation?hsLang=en) must be used to calculate the portion of the expense which can be attributed to business use. For example, if you buy a printer that will be used for your family’s personal activities and for business activities, use your time-space percentage to calculate the portion of the cost of the printer which is attributed to business use. If equipment is purchased for exclusive business use – meaning that the item is only used for business activities and never used for personal activities – then you can count 100% of the cost as a business expense.

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| **Equipment** |
| **Item (Indicate Quantity)**  | **Item Description or Purpose** | **Cost per Item** | **Total Cost** | **Anticipated/ Identified Funding Sources** (if any) |
| EXAMPLE: Printer (2 qty) | For learning materials, handouts and information for families, general office use. One classroom printer and one office printer. | $100 | $200 |  |
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**Contractual:** List each contract needed to execute your business plan. Include details about the contractor, including the business name (if decided), type of service provided, purpose of the contract, and estimated cost. Add together the estimated cost column to find your category total. Award funds cannot cover construction of new facilities and major renovations.

**Note for Home Providers:** If you work with a contractor to execute your business plan, the [time/space calculation](https://www.childcare.texas.gov/time-space-calculation?hsLang=en) must be used to calculate the portion of the expense which can be attributed to business use. For example, if you build an addition to your home which will be used for the child care program during weekday days but by your family on nights and weekends, use your time-space percentage to calculate the portion of the cost of the renovation which is attributed to business use.

**Home Providers:** If you enter a contract for services with a purpose that exclusively serves the business – meaning that the item is only used for business activities and never used for personal activities – then you can count 100% of the cost as a business expense. When considering renovations of your home space, this would be uncommon *unless* a certain area of your home is expressly reserved for your child care program. If your basement is set up for your child care program and never used by your family, then replacing the carpet in your basement would be done for exclusive business use and that cost could be counted as a 100% business expense.

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| **Contractual** |
| **Entity or Service** | **Contract Description or Purpose** | **Estimated Cost** | **Anticipated/ Identified Funding Sources** (if any) |
| EXAMPLE: General Contractor XYZ | Renovate existing space to convert to indoor play area aligned with licensing requirements | $10,000 | $10,000 |
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**Operating Costs/Overhead Costs (Indirect):** List the costs below which you incur as a result of you running your business. Rent, utilities, or administrative costs fit into this category. These are also known as “indirect costs.” Provide a description for each cost along with the total estimated annual cost for each expense. List the category amount in the bottom row. Regular monthly rent or mortgage payments and utility bills of the location that you have secured are allowable uses of Initiative funding, but other expenses in this category, such as down payments or security deposits to obtain a location, will need to be funded through other sources. For home-based providers, the allowable portions of rent, mortgage, and utilities are prorated using the time/space calculation.

**Note for Home Providers:** The [time/space calculation](https://www.childcare.texas.gov/time-space-calculation?hsLang=en) must be used to calculate the portion of each expense which you use for personal and business purposes. One exception is your phone bill: In this case, find the bill for a time period when you spent average amounts of time using your phone for personal and business use. Count the number of calls made for business vs. personal use, add the number of minutes spent on business phone calls, and divide that number by the total number of phone call minutes on your phone bill. That percentage is the percentage of your phone bill which you can attribute as a business expense.

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| **Operating Costs/Overhead (also known as Indirect Costs)** |
| **Type of expense** | **Expense Description or Purpose** | **Total annual cost** | **Anticipated/ Identified Funding Sources** (if any) |
| EXAMPLE: Electric bill | Average usage = $130/month, 46% allocated to business costs (used time/space calculation for home-based providers) | $717.60 |  |
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**Other:** List any other expenses required for implementation of your business plan that do not fall into the categories above. Describe each expense and provide the total annual cost as well as the total category cost.

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| **Other** |
| **Type of expense** | **Expense Description or Purpose** | **Total annual cost** | **Anticipated / Identified Funding Sources** (if any) |
| EXAMPLE: First Aid Training | Staff will receive general first aid training to comply with safety guidance. 4 employees, $50 per employee | $200 |  |
| EXAMPLE: Marketing | Publishing ads in community newspapers ($400 for 5 ads in county newspaper) | $400 |  |
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| **TOTAL** |  |  |  |

**TOTAL BUSINESS PLAN BUDGET:** List the totals from the categories above and combine to determine your business plan budget total.

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| **Business Plan Budget**  |
| **Category** | **Category Total** | **Anticipated / Identified Funding Sources** (if any) |
| Personnel |  |  |
| Benefits |  |  |
| Supplies |  |  |
| Equipment |  |  |
| Contractual |  |  |
| Indirect |  |  |
| Other |  |  |
| **TOTAL** |  |  |