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CHILD CARE LOAN GUARANTEE PROGRAM

House Bill 4421
Sponsor: Rep. Samuel Buzz Thomas
Committee: Appropriations

Complete to 9-4-01

A SUMMARY OF HOUSE BILL 4421 AS INTRODUCED 3-6-01

House Bill 4421 would create the Child Care Loan Guarantee Act, effective October 1, 2001, in order "to increase the quality and availability of child care in the state's low-income areas." The bill would create the Child Care Loan Guarantee Commission and the Child Care Loan Guarantee Fund within the treasury department. The commission would consist of ten members appointed by the governor and subject to the Senate's approval. The bill would appropriate $1,000,000 for the fund for the fiscal year beginning October 1, 2001, and specifies that the legislature would have to appropriate sufficient money to carry out the purpose of the act. A detailed summary of the bill's provisions concerning the commission's composition, powers, and duties, legitimate uses of fund money, and procedures and criteria for applying for and approving loan guarantees is provided below.

Child Care Loan Guarantee Commission. The ten-member commission would be composed as follows: two people with experience in investment finance and experience in assembling capital, starting new businesses, and expanding small businesses; a representative of a philanthropic organization who had experience in evaluating funding proposals; an employee of a state agency that had responsibility for child care or other social programs; a state employee who had responsibility for banking regulation; an expert in early childhood development; a home-based child care provider; a representative of a center-based child care provider; a representative of a resource and referral agency; and a parent whose child was under 12 years of age at the beginning of his or her term. The governor would have to choose the members of the commission within 30 days of the effective date of the act, and members could serve for no more than three terms. Initially four members would be appointed to one-year terms, three members would serve for two years, and three members would serve for three years. Subsequent to the initial composition of the commission, members would be appointed to terms lasting two years or until a successor was appointed. If a vacancy occurred, the governor would make an appointment for the unexpired term in the same manner as the original appointment. The governor could remove a member for incompetence, dereliction of duty, malfeasance, misfeasance, or nonfeasance in office, or any other good cause. Although commission members would not be compensated, they could be reimbursed for expenses incurred in performing official commission duties.

The member who was a state employee with responsibility for banking regulation would call the first meeting of the commission, during which the commission would have to elect a chairperson and other officers. After the first meeting, the commission would meet at least quarterly, at the call of the chairperson, or if requested by five or more members. A majority of the members would constitute a quorum for the transaction of business, and a majority of the members present and serving would be required for official commission action. Business would have to be conducted at a public meeting held in compliance with the Open Meetings Act, and any writing prepared, owned, used, in the possession of, or retained by the commission in the performance of an official function would be subject to the Freedom of Information Act.

Child Care Loan Guarantee Fund. The state treasurer could receive money or other assets from any source for deposit into the fund. The treasurer would also be responsible for directing the investment of the fund and crediting interest and earnings to the fund from fund investments. Money in the fund at the close of the fiscal year would remain in the fund and would not lapse to the general fund. Upon appropriation, the department could expend money from the fund for one or more of the following purposes: construction, purchase, lease, or improvement of a building or other facility; purchase or improvement of land; purchase or loan of equipment, including vehicles; staff training; payment of initial operating expenses; payment of salaries; and marketing.

The commission would promulgate rules for the application and approval of loan guarantees, and the rules would give priority to loan guarantees. The loan guarantees would be awarded to providers who served or intended to serve families with below median income, to communities that demonstrated the greatest need for child care services and in geographic distribution throughout the state. The commission could not approve loan guarantees that were greater than $30,000 or 80 percent of the actual loan, and the aggregate amount guaranteed by the commission could not be greater than five times the amount in the fund. In selecting a child care provider for a loan guarantee, the board would use the following criteria: the staff and programming quality of the applicant; the ratio of children to staff; the quality of the facilities; the degree of coordination with Head Start or other programs; and the quality of administrative and financial management.

An applicant for a child care loan guarantee would be required to provide all of the following: a detailed description of the project; a disclosure of the money available to the applicant without the commission's assistance; information that related to the applicant's inability to obtain adequate financing on reasonable terms through normal lending channels; credit references for the applicant (if available); and a two-year projected budget. Further, the applicant would have to submit a comprehensive, two-year business plan that included the applicant's plans for debt reduction, marketing, staff training, facility improvement, program improvement, and other information requested by the commission. Finally, an applicant would have to provide collateral to the commission equal to 10 percent of the loan guarantee amount, and the collateral would be used to offset the cost to the fund; the commission could seize the collateral if the applicant defaulted on the loan.

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■This analysis was prepared by nonpartisan House staff for use by House members in their deliberations, and does not constitute an official statement of legislative intent.