

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1993

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HOUSE BILL 1420
Committee Substitute Favorable 7/9/93

Short Title: Child Care Loan Guarantee Act.

(Public)

Sponsors:

Referred to:

May 17, 1993

A BILL TO BE ENTITLED

AN ACT TO ESTABLISH THE CHILD DAY CARE LOAN GUARANTEE ACT OF 1993 AND TO APPROPRIATE FUNDS.

The General Assembly of North Carolina enacts:

Section 1. Title. – This act shall be known and may be cited as the Child Day Care Loan Guarantee Act of 1993.

Sec. 2. Purpose. – The purpose of this act is to encourage lenders to make loans available to child day care providers for the purpose of financing the development and expansion of child day care centers and homes in low-income, distressed counties of the State and to increase the quality and availability of child day care and employment opportunities in these areas.

Sec. 3. Definitions. – The following definitions apply in this act:

- (1) Center. – North Carolina Rural Economic Development Center, Inc.
- (2) Child day care provider. – A person providing or planning to provide child day care, as defined in G.S. 110-86.
- (3) Community Development Corporation. – An organization that:
 - a. Is a neighborhood-based nonprofit corporation;
 - b. Is controlled by area residents;
 - c. Directs community development initiatives in economically distressed areas; and
 - d. Is characterized by comprehensive community programs designed to enhance the overall quality of life through the

1 elimination of blight and the economic empowerment of area
2 residents.

3 (4) Department. – The Department of Commerce.

4 (5) Distressed counties. – Severely distressed counties of the State as
5 designated by the Secretary of Commerce under G.S. 105-130.40(c) or
6 G.S. 105-151.17(c), or both.

7 (6) Fund. – The Child Day Care Loan Guarantee Fund.

8 Sec. 4. Child Day Care Loan Guarantee Fund. –

9 (a) The Center shall establish the Child Day Care Loan Guarantee Fund,
10 which shall be used to guarantee loans made by lenders to qualifying child day care
11 providers to finance the development or expansion of child day care centers or homes in
12 distressed counties. Interest and other investment income shall accrue to the Fund.

13 (b) Notwithstanding any law to the contrary, the principal and any income to the
14 Fund may be used to make loan guarantees under this act or pay the Center's cost of
15 administering this act in accordance with Section 9 of this act.

16 Sec. 5. Center's responsibilities. – The Center shall:

17 (1) Administer the Fund established in Section 4 of this act.

18 (2) Develop and manage a loan approval process in accordance with
19 policies established by the Center.

20 (3) Make its best effort to ensure that providers of small business technical
21 assistance in North Carolina, including, but not limited to, the Small
22 Business and Technology Development Centers, the Small Business
23 Centers of the Department of Community Colleges, and Community
24 Development Corporations, provide fair and equitable business
25 counseling to applicants for loan guarantees under this act.

26 (4) Monitor projects to ensure compliance with applicable State and
27 federal laws, rules, and relevant court decisions.

28 (5) Develop procedures for managing defaults and for enforcing the
29 obligations of borrowers to repay loans.

30 (6) Actively seek additional non-State funds to leverage the State dollars
31 appropriated to the Fund on the basis of three non-State dollars to
32 every State dollar.

33 (7) Report quarterly to the Joint Legislative Commission on Governmental
34 Operations on the implementation of this act, the results and operation
35 of the program, efforts to secure matching funds, and the use of
36 appropriations for this program.

37 Sec. 6. Loan guarantee standards. –

38 (a) In making loan guarantees under this act, the Center shall give priority to
39 child day care providers that serve or intend to serve distressed counties that
40 demonstrate the greatest need for child day care services. It shall also give priority to
41 the geographic distribution of loan guarantees.

42 (b) Loans that are eligible for guarantees under this act may be made for only the
43 following reasons:

- 1 (1) The construction, purchase, lease, or improvement of buildings or
2 other facilities.
- 3 (2) The purchase or improvement of land.
- 4 (3) The purchase or lease of equipment, including vehicles.
- 5 (4) Start-up and expansion costs.
- 6 (5) Initial operating expenses.
- 7 (c) Loan guarantees under this act are subject to the following restrictions:
 - 8 (1) The Center shall not grant a loan guarantee greater than seventy-five
9 thousand dollars (\$75,000).
 - 10 (2) The Center shall not guarantee more than eighty percent (80%) of a
11 loan.
 - 12 (3) The Center shall not issue an aggregate amount of loan guarantees that
13 exceeds five times the amount deposited in the Fund.
- 14 (d) The Center shall use the following criteria in its determination of whether to
15 grant a loan guarantee to a child day care provider who has a history of operating or
16 owning a child day care center, child day care home, or both:
 - 17 (1) Quality of programming and staff.
 - 18 (2) Ratio of children to staff.
 - 19 (3) Quality of facilities.
 - 20 (4) Degree of coordination with Head Start or other programs.
 - 21 (5) Quality of administrative and financial management.
 - 22 (6) History of compliance with child day care licensing or registration
23 requirements.
 - 24 (7) Ability to repay.
- 25 (e) An applicant for a guarantee under this act shall supply the Center with
26 the following:
 - 27 (1) A detailed description of the project.
 - 28 (2) A disclosure of additional funds, if any, that are available to the
29 applicant.
 - 30 (3) Information that relates to the inability of the applicant to obtain
31 adequate financing on reasonable terms through normal lending
32 channels, such as a letter from a lender certifying that it would not
33 grant credit without the loan guarantee.
 - 34 (4) Credit references, if available, for the applicant.
 - 35 (5) A five-year projected budget.
 - 36 (6) A comprehensive business plan that includes the applicant's plans in
37 the areas of:
 - 38 a. Debt reduction;
 - 39 b. Marketing;
 - 40 c. Staff training;
 - 41 d. Facility improvement; and
 - 42 e. Program improvement.
 - 43 (7) Other information that the Center requests.

1 Sec. 7. Defaults. – Upon default by a borrower, the lender, consistent with its
2 current collections policies, shall exercise reasonable diligence in its collection efforts
3 before the Fund is liable for the default.

4 Sec. 8. Conflict of interest. – Any employee, officer, or Board member of the
5 Center who is employed by, holds any paid official relation to, or has any financial
6 interest in any child day care enterprise for which the Center is considering the granting
7 of, or already has granted, a guarantee under this act shall disclose the relationship and
8 shall not vote or otherwise participate in any decision to grant the guarantee or
9 otherwise affect that enterprise.

10 Sec. 9. Appropriations. – There is appropriated from the General Fund to the
11 Department of Commerce the sum of five hundred thousand dollars (\$500,000) for the
12 1993-94 fiscal year and the sum of five hundred thousand dollars (\$500,000) for the
13 1994-95 fiscal year, to be allocated to the North Carolina Rural Economic Development
14 Center, Inc., for the purpose of implementing this act. Of the funds appropriated under
15 this section, a maximum of ten percent (10%) may be used for the Center's
16 administrative costs. The Department shall disburse these funds within 30 days of
17 request for each fiscal year.

18 Sec. 10. Effective date. – This act becomes effective August 1, 1993.