



Division of Child Care & Early Childhood Education
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October 28, 2020

Senator Cecile Bledsoe
Representative Jeff Wardlaw
State Capitol
Little Rock, AR 72201

Dear Senator Bledsoe and Representative Wardlaw:

As required by state statute, I am submitting a report to the Legislative council of the Arkansas General Assembly on the current status of the Arkansas Child Care Facilities Guarantee Loan.

If you should have any questions concerning the report, please let me know. I will be available to appear before the Council to answer any questions concerning the Guarantee Loan Fund report and to discuss issues related to early care and education in Arkansas.

Sincerely,

A handwritten signature in blue ink that reads 'Tonya Williams'.

Tonya Williams, Director
Division of Child Care and Early Childhood Education
Arkansas Department of Human Services

cc. Mark White

ARKANSAS CHILD CARE FACILITIES GUARANTEE LOAN FUND

OCTOBER 1, 2020

Act 202 of 1989 was the original legislation which created the Arkansas Child Care Facilities Guarantee Loan Fund. This fund is designed to support the development and expansion of child care facilities in the state of Arkansas.

During the 1997 Legislative Session the Division of Child Care and Early Childhood Education was established. The Division incorporated the child care function within the Department of Human Services, Children and Family Services with the functions of the Arkansas Early Childhood Commission to form a new division within Human Services. This division allows for consolidation and streamlining to address the early childhood and child care needs of Arkansas citizens. The Guarantee Loan Fund previously administered by the Arkansas Early Childhood Commission became a function of the newly formed Division of Child Care and Early Childhood Education.

Administered by the Arkansas Division of Child Care and Early Childhood Education a division within the Department of Human Services, the fund will guarantee, in case of default:

- 80% of the outstanding principal balance, or
- A maximum of \$25,000 per approved loan

The division will assume a pro-rated share of the recovery upon liquidation of the collateral. Length of the guarantee is three years initially with an option to renew. Terms of the loan are negotiated between the applicant and lending institution. Qualified expenditures include both capital expenses and working capital.

Considerations for granting guarantees originally set by the Early Childhood Commission, and currently in use by the Division are as follows:

- Areas which have no services or are under-served
- Facilities which will offer infant/toddler care
- Areas which need additional child care to promote economic development
- Applicants who cannot obtain a loan without the guarantee
- Minority participation

Application and reporting procedures are streamlined to facilitate the process and reduce administrative requirements for the lending institution. The Division accepts the loan application which is completed for the lending institution as its primary application. Additionally, a short form to provide demographic information on the proposed location and community furnished and included with the application. Reporting to the Division on the status of the loan is required annually for the participating institution.

ADMINISTRATIVE STRUCTURE AND SUPPORT STAFF

The Arkansas Early Childhood Commission directed the operation of the Loan Fund from its inception in 1990 until legislation in 1997 established the Division of Child Care and Early Childhood Education . The Director of the Division of child care and Early Childhood Education provides oversight of the Loan Fund. The Director of finance provide services to the Guarantee Loan Fund. Investments are maintained by the DHS Finance Office. The Finance Committee of the Early Childhood Commission serves in an advisory role and reviews all applications for guarantee loans and consults with the division staff prior to making recommendations to the Director.

RATIONALE FOR PROGRAM STRUCTURE

The Arkansas Child Care Facilities Guarantee Loan Fund has been structured differently from other funds of this nature in other states. It takes into account the following:

- The client profile is typically that of a female who is unsophisticated in dealing with the financial community. Extensive paperwork and red tape would probably deter her from initiating or following through on the process. In addition, many of the clients, particularly those starting family daycare homes, may have low educational levels.
- Bankers stated that they would be unwilling to participate because of anticipated red tape and bureaucratic hassle and the unprofitability of making small loans if too much was required of the lending institution.

Consequently, the fund is structured to reduce paperwork and red tape, to encourage bankers to participate, and to facilitate the process. The following points demonstrate the uniqueness of the Fund:

The application form consists of one page with additional materials attached. The complete application packet consists of:

1. The completed application form
2. A five-year projected budget (form furnished)
3. A five-year business plan (form furnished)

4. A declination letter from the bank
5. A completed loan application from the bank
6. A letter from the appropriate child care licensing specialist stating that the plans for the facility will meet licensing standards

The application process is designed to take advantage of the forms and preparatory work that was completed during the initial bank loan application process.

The Finance Committee of the Arkansas Early Childhood Commission assists the Division in reviewing the applications and interviewing applicants and by making a recommendation for approval or denial of the guarantee.

The Division works to assist the applicant in navigating the loan application process and will refer clients to appropriate groups for assistance, consultation and training.

The initial intent of the Guarantee is to assist in the development of small child care centers and family day care homes in predominantly rural areas of Arkansas.

PORTFOLIO – ARKANSAS CHILD CARE FACILITIES GUARANTEE FUND

Applications were accepted for the first time in May, 1990. Since the inception of the guarantee program, there have been 51 guarantee loans approved for construction, expansion, and development of child care programs in Arkansas. As of October 1, 2020 no guarantee is in active status. Since the inception of the guarantee program in 1990, there have been a total of 10 loan defaults of the 51 grants approved.

There is currently no guarantee in place.