



Division of Child Care and Early Childhood Education

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Program Development

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September 28, 2009

The Honorable Henry "Hank" Wilkins, IV  
The Honorable Allen Maxwell  
Arkansas Legislative Council  
State Capitol  
Little Rock, AR 72201

Dear Senator Wilkins and Representative Maxwell:

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 Fund.

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 black ink, which appears to read "Tonya Russell". To the right of the signature, the letters "CFO" are handwritten in black ink.

Tonya Russell, Director  
Division of Child Care and Early Childhood Education  
AR Department of Human Services

cc: John Selig  
File

## **ARKANSAS CHILD CARE FACILITIES GUARANTEE LOAN FUND**

**OCTOBER 1, 2009**

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 functions 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 3 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 is furnished and included with the application. Reporting to the Division on the status of the loan is required annually from the participating lending 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 and the Program Development staff 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 day care 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 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 thirty-seven (37) guarantee loans approved for construction, expansion and development of child care programs in Arkansas. As of October 1, 2009, two (2) guarantees are in active status. Since the inception of the guarantee program in 1990, there have been a total of nine (9) loan defaults of the 37 guarantees approved. The Guarantee Fund has a current liability of \$40,292.54, guaranteeing loans totaling \$109,783.54. (No funds are leveraged; liability will never exceed the funds available.)

The current total Guarantee Loan Fund investment is \$445,569.35 (as of September 1, 2009). The initial Guarantee Loan Fund investment was \$350,000.00, to be invested within state financial institutions with interest gained being used to cover loan defaults, if defaults occur. Interest funds exceeding the original investment of \$350,000.00 may be used at the end of each year for grants supporting professional development and literacy activities for early care and education programs. During the past year, a grant of \$20,000 was issued to the Arkansas Chapter of the American Academy of Pediatrics to support and expand the *Reach Out and Read-- AR Well Child Reads* a Pediatric Literacy Intervention in Arkansas. Through this project, pediatricians provide books to children and their parents during their regular office visits.

The two (2) guarantees in place are assisting with the renovation and establishment of child care centers. These current guarantees represent the creation or maintenance of over 15 jobs and the establishment or continuation of 145 child care slots.

### **Current Guarantee Facility Profiles - October 1, 2009**

Marked Tree, AR – Renovation of facility (95 children)

South Little Rock – Establishment of a new center (50 Children)

## **Default Profile**

Arkadelphia, AR--New Center (25 children) Loan default of \$16,007.28. Facility operated by minority church serving predominately low-income families. Clark County Industrial Commission also made a loan for start-up and the Small Business Development Center offered technical assistance and provided ongoing support. Facility could not maintain viable operation. Default occurred in November of 1991.

Lonoke, AR--New Center (81 children) Major new facility in unserved area. Commission guaranteed only half of requested amount. Loan default \$6,831.35. Default occurred in March of 1992.

Waldron, AR--Expansion of family day care home (16 children) Loan default (\$10,744.03) due to divorce. Commission responsible for 50% of liability. Service maintained for children in area. Default occurred in May of 1992.

Malvern, AR--New Center (42 children) Expansion from family day care home. Original loan of \$10,000 for operating expenses, default occurred at 30 months with Commission being responsible for default payment of \$2,389.62 after recovery of collateral and liquidation of day care equipment. Default occurred in March of 1994.

Greers Ferry, AR--New Center (29 children) Newly constructed child care center in unserved area. Operator completed Child Development Associate Credentialing and offered high quality program. Enrollment was low. Loan default in February of 1996 of \$25,000 was honored, bank continued to attempt liquidation. Division shared in recovery and received \$11,914.56 at time of liquidation.

Cabot, AR--New Center (89 children) Newly constructed child care center in Cabot with lease agreement. Operator had Child Development Associate Credential and previously operated child care center in Jacksonville. Operator moved out-of-state, did sell the business and paid two years of the three year loan. Default in August of 1998 resulted in payment of \$3,950.07 on original loan of \$10,000.00. Loan was for operating capital.

Rogers, AR – New Center (67 children) New facility in area with need for additional child care spots. Owner had previous experience as a Day Care Family Home. Default in March of 2001 resulted in payment of \$15,342.03 on original loan of \$20,000.00. Loan was for the purchase of furnishings and for operational costs.

Leachville, AR – Purchase of existing center (45 children) Operator had completed her Child Development Associate and had previously operated an in-home day care. Operator sold the business without the lender's knowledge or approval. Default in August of 2001 resulted in payment of \$14,552.96 on original loan of \$20,000.00.

Sherwood, AR – Establishment of new center (30 children) New facility in area with need for additional child care spots. Original loan of \$16,500.00 for operating expenses in May of 2000 with a one -year extension granted in March of 2002 to extend the loan and lower payments. Default occurred in November of 2003 resulting in payment of \$7,050.90.

Action in order of start date through October 1, 2007

Center/Provider	Name	City	Bank	Start Date	Term	Status	Closed	Loan Amount	Guarantee	Notes
Children's Learn	Kindred	Mena	Union National Bank	7/18/90	36 Months	Completed	7/93	\$25,010.50	\$20,008.40	
Kiddie Kollege	LulaTyler	Brinkley	First Bank of Ark. - Brinkley	7/18/90	36 Months	Completed	7/93	\$7,034.47	\$5,627.58	
Little Kingdom	Gussie Gilchrest	DeValls Bluff	Planters Bank and Trust - DeValls Bluff	10/18/90	36 Months	Completed	10/93	\$13,500.00	\$10,800.00	
Melody's Day Care	Melody Moon	Beebe	Citizens Bank of Beebe	10/18/90	36 Months	Completed	10/93	\$25,000.00	\$20,000.00	
Callahan Day Care Home	Sam/ Kathy Callahan	Waldron	Bank of Waldron	11/30/90	36 Months	Default	3/92	\$25,000.00	\$20,000.00	Default amount \$10,744.03
Successful Beginnings	Amy Flynn	Lonoke	First State Bank of Lonoke	4/17/91	18 Months	Default	3/92	\$12,713.85	\$10,171.08	Default amount \$6,831.35
Small Wonders Child Care	Rev. Aaron Wheeler	Arkadelphia	Citizens First State Bank	5/21/91	36 Months	Default	10/91	\$21,024.00	\$16,800.00	Default amount \$16,007.98
Watson Day Care - Loan #1		Watson	Merchants & Farmers - Dumas	5/29/91	36 Months	Completed	5/96	\$30,000.00	\$24,000.00	5/25/93 received 36 month extension.
Ms. Sondra's	Sondra Hoffman	Mountain Home	People's Bank & Trust of Mountain Home	7/30/91	36 Months	Completed	8/94	\$4,000.00	\$3,200.00	
Our World Xian	Brenda Bohannon	Malvern	Bank of Malvern	9/3/91	36 Months	Default	3/94	\$10,000.00	\$8,000.00	Default amount \$2,389.62
Snuggles Day Care	Diana Sockrider	Bentonville	First National Bank of Bentonville	9/3/91	36 Months	Completed	5/95	\$69,000.00	\$25,000.00	
Apple Academy	Belinda Kindle	Little Rock	Twin City Bank - North Little Rock	10/15/91	36 Months	Completed	10/94	\$25,000.00	\$10,000.00	10/15/92-12 mo. ext. 10/15/93-12 mo. ext.
Gina Kyzer	Glenda White	Furlow	Bank of Cabot	5/26/92	36 Months	Completed	5/95	\$103,000.00	\$25,000.00	
Darlene West	Darlene West	Lamar	Boatman's Bank of Russellville	11/24/92	36 Months	Completed	11/95	\$30,000.00	\$24,000.00	
Lil Scholar Day Care - Loan #1	Price/ Kilcrease	Crossett	First State - Crossett	8/23/93	72 Months	Completed	5/99	\$10,000.00	\$8,000.00	
Children's Paradise	Mike Mize	Fort Smith	First National Bank	10/4/94	36 Months	Completed	10/97	\$255,000.00	\$25,000.00	
Children's Academy	Patricia Duncan	Conway	Twin City Bank - Conway	10/15/94	36 Months	Completed	10/96	\$14,442.00	\$11,555.00	

Center/Provider	Name	City	Bank	Start Date	Term	Status	Closed	Loan Amount	Guarantee	Notes
Carlton's Kid Stop	John/ Sandra Lautsch	Russellville	Boatman's of Russellville	11/22/94	36 Months	Completed	11/97	\$15,000.00	\$12,000.00	
Kiddie Kaboot	Marcia Stewart	North Little Rock	Twin City Bank	11/28/94	36 Months	Completed	1/96	\$9,000.00	\$7,200.00	
Tot's Landing	Ken/ Ann Roberts	London	Boatman's of Russellville	12/2/94	36 Months	Pending	na	\$48,000.00	\$15,000.00	Default amount \$0
Marye Kay Vines	Marye Kay Vines	Fayetteville	McIlroy Bank & Trust	1/9/96	36 Months	Completed	1/99	\$48,000.00	\$6,400.00	
Heart of the Lake Child Care	Jackie Berbussee	Greers Ferry	Greers Ferry Lake State Bank	2/16/96	42 Months	Default	8/98	\$52,000.00	\$25,000.00	Default amt. \$25,000 Liq. 8/98 paid \$11,914.56
Cabot Learning Center	Kristi Domrase	Cabot	Bank of Cabot	12/17/96	36 Months	Default	8/98	\$10,000.00	\$8,000.00	Default amount \$3,950.07
Watson Day Care - Loan #2		Watson	Merchants & Farmers - Dumas	5/1/96	36 Months	Completed	5/99	\$19,582.91	\$15,666.00	
Annie's Day Care	Annie Phillips	Stuttgart	Ark. Ent. Grp./Good Faith Fund	7/21/97	36 Months	Completed	7/00	\$54,470.00	\$12,500.00	
Lil' Me Day Care	Michelle Brooks	Leachville	Buffalo Island Bank	9/1/98	36 Months	Default	8/01	\$20,000.00	\$16,100.00	Default amt. \$14,552.96
Kid's Enterprise Child Dev. Center	Rick/ Francene Everett	Newport	Union & Planter's Bank - Newport	9/21/98	36 Months	Completed	11/01	\$75,000.00	\$25,000.00	
Meme & Me Preschool	Rowena/ Gary Hunnicutt	Rogers	Bank of Bentonville	1/28/99	36 Months	Default	3/01	\$20,000.00	\$16,000.00	Default amt. \$15,342.03
Lil Scholar Day Care - Loan #2	Price/ Kilcrease	Crossett	First State - Crossett	5/17/99	36 Months	Completed	9/04	\$10,000.00	\$8,000.00	7/23/01 - 36 month extension
Apple Blossom Child Dev. Center	James/Wyndra Henderson	Beebe	Citizens Bank	11/1/99	36 Months	Completed	12/02	\$125,000.00	\$25,000.00	
Kids Ark Enhancement Ctr	Veronica Marshall	Sherwood	FIRSTAR Bank, N.A.	5/24/00	36 Months	Default	11/03	\$16,500.00	\$13,200.00	Default amt. \$7,050.90
All Aboard DCC/ Ramsey Kids	Hazel Scroggins	Sweet Home	Metropolitan National Bank	8/30/02	36 Months	Completed	9/05	\$25,000.00	\$20,000.00	
Gram's House Day Care Center	Melba Connelly	Benton	Southern State Bank	3/10/03	36 Months	Completed	3/06	\$25,000.00	\$20,000.00	
Child of Mine Day Care Center	Sherrie Hall	Marked Tree	First Delta Bank	1/4/05	36 Months	Active		\$107,000.00	\$25,000.00	Guarantee renewed for 3 years
The Learning Center	Sherri Traw	Batesville	Liberty Bank	9/15/05	36 Months	Completed	10/08	\$25,000.00	\$20,000.00	
Mainstreet Kids	Gayla Franks	Shirley	Regions Bank of Fairfield Bay	11/16/05	36 months	Completed	11/08	\$66,000.00	\$25,000.00	
Lil Blessings Child Care Center	Christy Vick-Venson	Little Rock	Simmons First National Bank	02/29/08	36 months	Active		\$25,000.00	\$20,000.00	

**CURRENT GUARANTEE LOANS IN PLACE AS OF OCTOBER 1, 2009**

<b>Center/Provider</b>	<b>Name</b>	<b>City</b>	<b>Bank</b>	<b>Start Date</b>	<b>Term</b>	<b>Loan Amount</b>	<b>Guarantee</b>
Child of Mine Day Care Center	Sherrie Hall Continuation of Guarantee	Marked Tree	First Delta Bank	1/4/05	36 Months	\$107,000.00	\$25,000.00
		Marked Tree	First Delta Bank	1/17/08	36 Months	\$107,000.00	\$25,000.00
Lil Blessings Day Care Center	Christy Vick-Venson	Little Rock	Simmons First National Bank	2/29/08	36 Months	\$25,000.00	\$20,000.00
<b>Total</b>						<b>\$132,000.00</b>	<b>\$45,000.00</b>



# ARKANSAS CHILD CARE FACILITIES GUARANTEE LOAN FISCAL REPORT

(Comparison By Year)

PROGRAM	July 1, 1990 Oct 1, 1992	Oct. 1, 1993	Oct. 1, 1994	Oct. 1, 1995	Oct. 1, 1996	Oct. 1, 1997	Oct. 1, 1998	Oct 1, 1999	Oct 1, 2000
Guarantee Fund Investment	\$350,000.00	\$355,888.37	\$365,546.72	\$380,998.03	\$376,488.53	\$372,076.51	\$395,915.72	\$428,563.19	\$432,416.58
Current Total Guarantees In Place (Fund Exposure)	\$151,635.98	\$183,000.00	\$141,000.00	\$151,755.00	\$125,821.00	\$84,366.00	\$80,366.00	\$77,500.00	\$103,300.00
Current Total Of Loans Guaranteed	\$310,282.82	\$354,250.00	\$301,050.00	\$446,192.00	\$431,024.91	\$372,052.91	\$183,052.91	\$179,470.00	\$266,500.00
Participating Financial Institutions	5	5	8	9	8	9	6	5	6
Total Defaults	\$	\$-0-	\$2,389.62	\$-0-	\$-0-	\$11,914.56	\$3,950.07	\$-0-	\$-0-
Total Guarantee Applications Deny/rescind	\$335,400.00	\$308,445.00	\$75,000.00	\$114,900.00	\$75,000.00	\$120,000.00	277,500.00	\$277,500.00	\$156,525.00

# ARKANSAS CHILD CARE FACILITIES GUARANTEE LOAN FISCAL REPORT

(Comparison By Year)

Program	10/01/2001	10/01/2002	10/01/2003	10/01/2004	10/01/2005	10/01/2006	10/01/2007	10/01/2008	10/01/2009
Guarantee Fund Investment	\$389,416.58	\$407,089.27	\$420,510.67	\$424,327.99	\$433,943.85	\$441,414.90	\$433,920.22	\$441,389.39	\$445,569.35
Current Total Guarantees in Place (Fund Exposure)	\$62,200.00	\$66,200.00	\$61,200.00	\$40,000.00	\$65,000.00	\$70,000.00	\$70,000.00	\$90,000.00	40,292.54
Current Total of Loans Guaranteed	\$171,500.00	\$176,500.00	\$76,500.00	50,000.00	\$157,000.00	\$198,000.00	\$198,000.00	\$223,000.00	\$109,783.54
Participating Financial Institutions	4	4	4	2	3	3	3	4	2
Total Defaults	\$28,894.00	-0-	-0-	\$7,050.90	-0-	-0-	-0-	-0-	-0-
Total Guarantee Applications Denied/Rescinded	\$150,000.00	-0-	\$181,000.00	\$71,000.00	\$43,810.00	\$90,000.00	\$95,000.00	\$75,000.00	35,000.00