

# HOUSE BILL No. 4652

May 11, 1999, Introduced by Reps. Thomas, Stallworth, Kelly, Neumann, Scott, Brater, Daniels, DeHart, Rivet, Woodward, Ehardt, Basham, Hale, Bovin, Clark, Prusi, Schauer, Baird, Cherry, Price and Jacobs and referred to the Committee on Appropriations.

A bill to create a child loan guarantee commission and its powers and duties; to create a child care loan guarantee fund; to prescribe the powers and duties for certain state agencies and officers; to prescribe limits on the use of the fund; and to make an appropriation.

## THE PEOPLE OF THE STATE OF MICHIGAN ENACT:

1       Sec. 1. This act shall be known and may be cited as the  
2 "child care loan guarantee act".

3       Sec. 2. The purpose of this act is to increase the quality  
4 and availability of child care in low-income areas of this  
5 state.

6       Sec. 3. As used in this act:

7       (a) "Child care and development block grant" means the block  
8 grant established by the child care and development grant act of  
9 1990, subchapter C of chapter 8 of subtitle A of title VI of the

1 omnibus reconciliation act of 1981, Public Law 97-35, 42

2 U.S.C. 9858 to 9858e, 9858g to 9858q.

3 (b) "Child care provider" or "provider" means a person who  
4 provides child care when both of the following apply:

5 (i) The care is for less than 18 hours in a 24-hour period.

6 (ii) The care is provided in a place other than the child's  
7 residence unless both of the following are true:

8 (A) The provider is the child's primary caregiver.

9 (B) The provider provides care for other children in the  
10 residence who are not related to the provider.

11 (c) "Commission" means the child care loan commission cre-  
12 ated in section 4.

13 (d) "Department" means the department of treasury.

14 (e) "Fund" means the child care loan guarantee fund created  
15 in section 5.

16 (f) "Resource and referral agency" means an organization  
17 that does all of the following:

18 (i) Informs child care providers about applicable federal,  
19 state, and local regulations.

20 (ii) Explains existing child care programs to parents.

21 (iii) Refers parents to existing child care programs.

22 (iv) Suggests criteria, including basic health and safety  
23 guidelines, for parents to use when selecting a child care  
24 provider.

25 (v) Informs parents how to file complaints about a child  
26 care provider and how to determine the status of an ongoing or  
27 previously substantiated complaint.

1           Sec. 4. (1) The child care loan guarantee commission is  
2 created within the state treasury.

3           (2) The commission shall consist of the following members,  
4 appointed by the governor, and subject to the advice and consent  
5 of the senate:

6           (a) Two members who have experience in investment finance  
7 and experience in assembling capital, starting new businesses,  
8 and expanding small businesses.

9           (b) One who represents a philanthropic organization with  
10 experience in evaluating funding proposals.

11          (c) One employee of a state agency that has responsibility  
12 for child care or other social programs.

13          (d) One state employee who has responsibility for banking  
14 regulation.

15          (e) One who is an expert in early childhood development.

16          (f) One home-based child care provider.

17          (g) One who represents a center-based child care provider.

18          (h) One who represents a resource and referral agency.

19          (i) One parent whose child is under 12 years of age at the  
20 beginning of that member's term.

21          (3) A member appointed under this section shall not serve  
22 more than 3 terms. The governor shall appoint the members of the  
23 child care loan guarantee commission within 30 days after the  
24 effective date of this act.

25          (4) A commission member shall serve for a term of 2 years or  
26 until a successor is appointed, whichever is later, except that  
27 of the members first appointed 4 shall serve for 1 year, 3 shall

1 serve for 2 years, and 3 shall serve for 3 years. If a vacancy  
2 occurs on the commission, the governor shall make an appointment  
3 for the unexpired term in the same manner as the original  
4 appointment. The governor may remove a commission member for  
5 incompetency, dereliction of duty, malfeasance, misfeasance, or  
6 nonfeasance in office, or any other good cause.

7 (5) The first meeting of the commission shall be called by  
8 the appointee under subsection (2)(d). At the first meeting, the  
9 commission shall elect from among its members a chairperson and  
10 other officers as it considers necessary or appropriate. After  
11 the first meeting, the commission shall meet at least quarterly  
12 or more frequently at the call of the chairperson or if requested  
13 by 5 or more members. A majority of the members of the commis-  
14 sion constitute a quorum for the transaction of business at a  
15 meeting of the commission. A majority of the members present and  
16 serving are required for official action of the commission.

17 (6) The business that the commission may perform shall be  
18 conducted at a public meeting of the commission held in compli-  
19 ance with the open meetings act, 1976 PA 267, MCL 15.261 to  
20 15.275. A writing prepared, owned, used, in the possession of,  
21 or retained by the commission in the performance of an official  
22 function is subject to the freedom of information act, 1976 PA  
23 442, MCL 15.231 to 15.246.

24 (7) A commission member shall serve without compensation.  
25 However, a public commission member may be reimbursed for his or  
26 her actual and necessary expenses incurred in the performance of  
27 his or her official duties as a commission member.

1           Sec. 5. (1) The child care loan guarantee fund is created  
2 within the state treasury.

3           (2) The state treasurer may receive money or other assets  
4 from any source for deposit into the fund. The state treasurer  
5 shall direct the investment of the fund. The state treasurer  
6 shall credit interest and earnings to the fund from fund  
7 investments. Money in the fund at the close of the fiscal year  
8 shall remain in the fund and shall not lapse to the general  
9 fund.

10          (3) Upon appropriation, the department of treasury shall  
11 expend money from the fund only for 1 or more of the following  
12 purposes:

13          (a) Construction, purchase, lease, or improvement of a  
14 building or other facility.

15          (b) Purchase or improvement of land.

16          (c) Purchase or loan of equipment, including a vehicle.

17          (d) Staff training.

18          (e) Payment of initial operating expenses.

19          (f) Payment of salaries.

20          (g) Marketing.

21          Sec. 6. (1) The commission shall promulgate rules concern-  
22 ing the application and approval of loan guarantees. The rules  
23 shall give priority to loan guarantees. As directed by the  
24 rules, loan guarantees shall be awarded so that each of the fol-  
25 lowing is achieved:

26          (a) The loan guarantees are awarded to providers who serve  
27 or intend to serve families with below median income.

1 (b) The loan guarantees are awarded in communities that  
2 demonstrate the greatest need for child care services.

3 (c) The loan guarantees are awarded in geographic distribu-  
4 tion throughout the state.

5 (2) The commission shall not approve a loan guarantee  
6 greater than \$30,000.00. The commission shall not guarantee an  
7 amount greater than 80% of any loan. The commission shall not  
8 guarantee an aggregate amount greater than 5 times the amount in  
9 the fund.

10 (3) In selecting a child care provider for a loan guarantee,  
11 the board shall use the following criteria:

12 (a) The staff and programming quality of the applicant.

13 (b) Ratio of children to staff.

14 (c) Quality of the facilities.

15 (d) Degree of coordination with head start or other  
16 programs.

17 (e) Quality of administrative and financial management.

18 (4) An applicant for a child care loan guarantee shall pro-  
19 vide all of the following:

20 (a) A detailed description of the project.

21 (b) A disclosure of the money available to the applicant  
22 without assistance from the commission.

23 (c) Information that relates to the inability of the appli-  
24 cant to obtain adequate financing on reasonable terms through  
25 normal lending channels, such as a letter from a lender certify-  
26 ing that it would not approve credit without the loan guarantee.

- 1 (d) Credit references for the applicant if available.
- 2 (e) A 2-year projected budget.
- 3 (f) A comprehensive, 2-year business plan that includes the  
4 applicant's plans in all of the following areas:
- 5 (i) Debt reduction.
- 6 (ii) Marketing.
- 7 (iii) Staff training.
- 8 (iv) Facility improvement.
- 9 (v) Program improvement.
- 10 (vi) Other information that the commission requests.

11 Sec. 7. An applicant shall provide collateral to the com-  
12 mission in an amount equal to 10% of the loan guarantee amount.  
13 The commission may seize collateral if the applicant defaults.  
14 The collateral shall be used to offset the cost to the fund.

15 Sec. 8. (1) There is appropriated an amount of  
16 \$1,000,000.00 for the fiscal year beginning October 1, 1999. The  
17 money shall be deposited into the fund.

18 (2) The legislature shall appropriate sufficient money to  
19 carry out the purpose of this act.

20 Sec. 9. This act takes effect October 1, 1999.