STATE OF CONNECTICUT
OFFICE OF EARLY CHILDHOOD

Connecticut Administered State-Funded Program

General Policy A-04
Commitments to Connecticut Health and Educational Facilities Authority (CHEFA) Financed Tax-exempt Loans

_X OEC Child Day Care Contractors
_X OEC Competitive School Readiness Municipalities
_X OEC Priority School Readiness Districts
_X OEC State Head Start Supplement
_X OEC Smart Start

Background

In 1997, Public Act 97-259, *"An Act Concerning School Readiness and Child Day Care,"* established the child care facilities program under Connecticut General Statutes (C.G.S.) section10a-194c (also known as Tax-Exempt Loan Program) at CHEFA and the loan guarantee program under C.G.S. section 17b-749g (also known as Guarantee Loan Program) and the direct revolving loan program under C.G.S. section17b- 749i (also known as Small Direct Revolving Loan Program) at the Department of Social Services (DSS). From these three programs, the DSS in partnership with CHEFA and the state's major commercial banks created the Child Care Facilities Loan Fund program (CCFLF) to provide low cost loans to eligible child care providers for land acquisition, site development, construction and/or renovations. Responsibility for the CCFLF was transferred to the State Department of Education (SDE) pursuant to Public Act 11-44 and subsequently to the CT Office of Early Childhood (OEC) pursuant to Public Act 14-39.

The information and guidance in this general policy pertains to the Tax-Exempt Loan Program. Eligibility for the Tax-Exempt Loan program is limited to Internal Revenue Service designated 501(c)(3) non-profit child care providers, municipalities, local boards of education with the approval of the municipal legislative body, regional school districts, regional educational service centers and charter schools. **An applicant without a Connecticut Office of Early Childhood Child Day Care Contract; or School Readiness, State Head Start, Smart Start or a State Department of Education Charter School grant may *NOT* be considered for the tax-exempt program**. In general, loan amounts start at $500,000 and have a term of 30 years.

CHEFA has been designated as the program manager of CCFLF. Section 17b-749i of the C.G.S. permits the SDE, via the State Treasurer, to pay ***"actual debt service, comprised of principal, interest and premium"*** on loans provided by CHEFA, under section 10a-194c.

The Loan Application Process

1. **Application:** Applicants must complete Parts I and II and submit to CHEFA.

    - Part I, the OEC Form requests programmatic; and child and family demographic information.
    - Part II, the CHEFA Data Form requests agency organizational and demographic information, current and historical financial and loan specific site information.

    When Parts I and II of the application are received, the CHEFA staff review the request for completeness, loan suitability, School Readiness Council (SRC) commitment (if applicable) and project cost.

2. **Debt Service Commitment:** Based on the information provided in Part I of the application and the recommendation of CHEFA, the OEC determines whether and, at what percentage, the state will seek reimbursement of debt service on the proposed loan. Debt service is the amount of principal and interest payable over the life of the loan.

3. **Point of Contact:** CHEFA is the point of contact for all those seeking loans under any of the three Child Care Facilities Loan Fund Programs. CHEFA's contact number is **1-800-750-1862**.

Expectations of Applicants

SCHOOL READINESS

Commitment Letter: All loan applicants under the jurisdiction of a local or regional SRC, as defined by C.G.S. section 10-16r, must provide a commitment letter that includes the following:

- Signatures of the mayor/elected official and superintendent;

- Identification of the child care provider being supported;

- Identification of the facility being supported;

- Acknowledgement of the SRCs understanding that OEC will intercept (see Section IV) from the local School Readiness allocation for the term of the loan;

- Specific identification of the minimum number of School Readiness spaces committed to the child care provider for the identified facility, and that such commitment is guaranteed for the term of the loan and may not be reduced except as permitted in Section III-B of this general policy; and

- Copies of the "commitment" proposal presented at the SRC meeting and the portion of the meeting minutes confirming the SRC decision, including the final vote.

Expectations of Loan Recipients

Loan recipients are expected to ensure space utilization is in compliance with the loan provisions. Any discrepancies in space utilization should be reported to CHEFA, and the following individuals as applicable:

- School Readiness Liaison
- Child Day Care Contractor
- Child Day Care Program Manager
- State Head Start Program Manager
- Smart Start Program Manager

CHEFA Loan Oversight and Space Reassignment

A loan recipient is provided space guarantees as presented in Section III (1) of this general policy as defined in Special Act 13-16. This provision ensures that the investments made to the facility will continue to benefit the residents of the State of Connecticut. Despite this provision, non- compliance with loan provisions or default may result in the remedies set forth in the loan agreement and/or the requirement of a replacement entity to manage program operations at the loan facility.

The Child Day Care Contractor or the School Readiness Council may request approval from OEC and CHEFA to reduce or reconfigure the space commitment for *the remaining term of the loan agreement* if the following conditions exist:

- If the spaces are School Readiness, Child Day Care, State Head Start, or Smart Start, they can be reduced only to the extent of spaces in excess of the number set out in the commitment letter for the CHEFA program. However, the original number of spaces set out in the commitment letter for School Readiness may be reconfigured as Child Day Care spaces and vice versa;
- At least six months of space utilization concerns have been documented;
- Appropriate technical assistance to correct non-compliance issues has been sought by the loan recipient and offered by the SRC, CHEFA and/or the OEC; and
- The reduction or reconfiguration of the space commitment does not reduce the funds needed by the loan recipient to repay the non-state supported debt service of the loan.

SCHOOL READINESS

SRCs are expected to ensure that the Liaison monitors space utilization for all local contracted programs in their community and document the following conditions in order for a SRC requested space reassignment to be considered by the OEC and CHEFA:

- At least six months of noncompliance can be demonstrated;
- The loan recipient has been notified successively of the non-compliance and has failed to correct the problems; and
- Appropriate technical assistance to correct non-compliance issues has been offered or provided to the loan recipient.

Other Pertinent Information

Debt Service Intercept

CHEFA has been able to offer attractive interest rates on the Tax-Exempt Program by requiring the full debt service payment from the state paid directly to the Bond Issue Trustee. The partial reimbursement of the State's payment of debt service out of the borrower's operating subsidies is referred to as "the intercept."

Depending upon the OEC funding sources the facility receives, the intercept may be withheld from one of the following:

- Child Day Care Contract payments
- School Readiness Grant to communities, which then withhold the intercept from the specific facility
- State Head Start supplement
- Charter School funds
- Smart Start Grant

The timing and amount of the intercept will depend upon the loan amount and the funding source. For facility-specific information about intercepts, please contact the OEC.

For further information concerning this GENERAL POLICY please contact the OEC program manager. If you're not sure who that is, visit: https://www.ctoec.org/contact-us/