

SENATE BILL No. 112

January 27, 2005, Introduced by Senator THOMAS and referred to the Committee on Families and Human Services.

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 "child
2 care loan guarantee act".

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

5 Sec. 3. As used in this act:

6 (a) "Child care and development block grant" means the block
7 grant established by the child care and development grant act of
8 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 USC 9858
2 to 9858q.

3 (b) "Child care provider" or "provider" means a person who
4 provides child care if 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 apply:

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 guarantee
12 commission created in section 4.

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

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

16 (f) "Resource and referral agency" means an organization that
17 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 care
26 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 department of treasury.

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

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

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

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

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

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

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

18 (g) One member who represents a center-based child care
19 provider.

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

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

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

27 (4) A commission member shall serve for a term of 2 years or

1 until a successor is appointed, whichever is later, except that of
2 the members first appointed 4 shall serve for 1 year, 3 shall serve
3 for 2 years, and 3 shall serve for 3 years. If a vacancy occurs on
4 the commission, the governor shall make an appointment for the
5 unexpired term in the same manner as the original appointment. The
6 governor may remove a commission member for incompetency,
7 dereliction of duty, malfeasance, misfeasance, or nonfeasance in
8 office, or any other good cause.

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

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

26 (7) A commission member shall serve without compensation
27 except that a public commission member may be reimbursed for his or

1 her actual and necessary expenses incurred in performing his or her
2 official duties as a commission member.

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

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

11 (3) Upon appropriation, the department shall expend money from
12 the fund only for 1 or more of the following 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 concerning
22 the application and approval of loan guarantees. The rules shall
23 give priority to loan guarantees. As directed by the rules, loan
24 guarantees shall be awarded so that each of the following is
25 achieved:

26 (a) The loan guarantees are awarded to providers who serve or
27 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 distribution
4 throughout the state.

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

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

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

12 (b) Ratio of children to staff.

13 (c) Quality of the facilities.

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

15 (e) Quality of administrative and financial management.

16 (4) An applicant for a child care loan guarantee shall provide
17 all of the following:

18 (a) A detailed description of the project.

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

21 (c) Information that relates to the inability of the applicant
22 to obtain adequate financing on reasonable terms through normal
23 lending channels, such as a letter from a lender certifying that it
24 would not approve credit without the loan guarantee.

25 (d) Credit references for the applicant if available.

26 (e) A 2-year projected budget.

27 (f) A comprehensive, 2-year business plan that includes the

1 applicant's plans in all of the following areas:

2 (i) Debt reduction.

3 (ii) Marketing.

4 (iii) Staff training.

5 (iv) Facility improvement.

6 (v) Program improvement.

7 (vi) Other information that the commission requests.

8 Sec. 7. An applicant shall provide collateral to the
9 commission in an amount equal to 10% of the loan guarantee amount.
10 The commission may seize collateral if the applicant defaults. The
11 collateral shall be used to offset the cost to the fund.

12 Sec. 8. (1) There is appropriated an amount of \$1,000,000.00
13 for the fiscal year beginning October 1, 2005. The money shall be
14 deposited into the fund.

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

17 Enacting section 1. This act takes effect October 1, 2005.