CONNECTICUT STATE DEPARTMENTS OF EDUCATION AND SOCIAL SERVICES
HARTFORD, CONNECTICUT

School Readiness General Policy
GP-09-07
(replaces SR-05-05)

X Priority School Readiness Districts

TO: Mayors, Superintendents, School Readiness Council Chairs/Co-Chairs and Liaisons

FROM:
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Bureau of Early Childhood Education

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Bureau of Assistance Programs

SUBJECT: Commitments to Connecticut Health and Educational Facilities Authority (CHEFA) Financed Tax-exempt Loans

SECTION I — BACKGROUND

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

The information and guidance in this GENERAL POLICY pertains to 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 DSS child care contract or a State Department of Education (SDE) School Readiness, Head Start or 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.

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

SECTION II — THE LOAN APPLICATION PROCESS

1. **Application** – Applicants must submit a **two-part application to CHEFA**. Part I, the DSS Form requests programmatic, 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 both parts of the **application** are received, CHEFA staff review the request for completeness, loan suitability, School Readiness Council (SRC) commitment and project cost.

2. **Debt Service Commitment -** based on the information provided in Part I of the application and the recommendation of CHEFA, DSS determines whether and, at what percentage, the state will cover 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**.

SECTION III —EXPECTATIONS OF SCHOOL READINESS COUNCILS

A. **Commitment Letter** – all loan applicants serviced by a local or regional SRC, as defined by C.G.S. section 10-16r, must provide a commitment letter that includes the following:

1. Signatures of the mayor/elected official and superintendent.

2. Identification of the child care provider being supported.

3. Identification of the facility being supported.

4. Acknowledgement of the SRCs understanding that SDE, for the term of the loan, will intercept (see Section IV), from the local School Readiness allocation, the portion of the debt service payment **NOT** to be borne by the state[1].

5. 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-2 of this GENERAL POLICY.

6. Attached 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.

B. **CHEFA Loan Applicant Oversight and Space Reassignment** – SRCs are expected to ensure that the Liaison or designee monitors space utilization for all local contracted programs in their community. A loan recipient is provided certain slot guarantees as presented in Section III (1) of this GENERAL POLICY. However, the following guidelines are provided to SRCs if they wish to reallocate slots guaranteed to a loan recipient in their School Readiness community:

1. A SRC may reduce or reconfigure the spaces of a loan recipient identified above if **all** the following conditions are met:

a. The loan recipient fails to fulfill the obligations of its grant, **and**

b. The SRC provides evidence to DSS that it has followed the following procedures:

i. That at least six months of non-compliance can be demonstrated;

[1] - *This commitment is not required if the applicant is a recipient of DSS funding.*

ii. That the loan recipient has been notified successively of the non-compliance and has failed to correct the problems;

iii. That appropriate technical assistance to correct non-compliance issues has been offered or provided to the loan recipient, and;

iv. The School Readiness Council requests and receives the approval of DSS to reduce or reconfigure the slot commitment to the loan recipient *for the remaining term of the loan agreement*; and

v. 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, as determined by DSS.

SECTION IV – OTHER PERTIENT 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 state's payment of the borrower's portion of the debt service is referred to as the "**intercept.**"

Where does the intercept come from?

- If the loan recipient is a DSS funded child care contractor then the **"intercept"** is withheld from grant funds DSS provided to the loan recipient. In this instance, no funds are intercepted from the Council grant from SDE.

- If the loan recipient is funded by SDE and is not funded by DSS, then the **"intercept"** is withheld by SDE from School Readiness, State Head Start or Charter School funds it provides.

Direct questions concerning this **GENERAL POLICY**
to any of the following individuals:

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Alternatively, you may reach any of the above individuals toll-free by calling 1-800-811-6141 and pressing 6 at any time during the message to be connected to the Division.