
THE GENERAL ASSEMBLY OF PENNSYLVANIA

HOUSE BILL

No. 2448 Session of
1998

INTRODUCED BY STURLA, BAKER, BLAUM, ROSS, ROONEY, SAYLOR,
BUXTON, READSHAW, OLIVER, GORDNER, HUTCHINSON, MELIO, GEORGE,
COY, JOSEPHS, LAUGHLIN, VAN HORNE, BELARDI, SHANER, TRELLO,
DeWEESE, HENNESSEY, SURRA, McCALL, CAPPABIANCA, YOUNGBLOOD,
PISTELLA, C. WILLIAMS, TANGRETTI, PETRONE, ROEBUCK, SAINATO,
RAMOS, THOMAS, BEBKO-JONES, SANTONI, MANDERINO, BELFANTI,
DeLUCA, McNAUGHTON, PETRARCA, WOJNAROSKI, ITKIN, BROWNE,
TIGUE, COWELL, MUNDY, STABACK, JAMES, WALKO, HERMAN, KIRKLAND
AND STEELMAN, MARCH 23, 1998

REFERRED TO COMMITTEE ON AGING AND YOUTH, MARCH 23, 1998

AN ACT

1 Establishing the Day-care Facilities Loan and Loan Guarantee
2 Fund; providing for terms and conditions of loans and for a
3 penalty; and making an appropriation.

4 TABLE OF CONTENTS

5 Section 1. Short title.

6 Section 2. Definitions.

7 Section 3. Fund.

8 Section 4. Application for loan and loan guarantee assistance.

9 Section 5. Types of financial assistance.

10 Section 6. Prerequisites for loans and loan guarantees.

11 Section 7. Considerations in guaranteeing loans.

12 Section 8. Terms and conditions.

13 Section 9. Loans.

14 Section 10. Receipts.

15 Section 11. Expenses and disbursements.

1 Section 12. Limitations on fund.
2 Section 13. Violations of guarantee agreement.
3 Section 14. False statements or reports.
4 Section 15. Rules and regulations.
5 Section 16. Appropriation.
6 Section 17. Effective date.

7 The General Assembly of the Commonwealth of Pennsylvania
8 hereby enacts as follows:

9 Section 1. Short title.

10 This act shall be known and may be cited as the Day-care
11 Facilities Loan and Loan Guarantee Act.

12 Section 2. Definitions.

13 The following words and phrases when used in this act shall
14 have the meanings given to them in this section unless the
15 context clearly indicates otherwise:

16 "Adult day care." Services simultaneously provided at an
17 older adult daily living center for four or more clients who are
18 not relatives of the operator for part of a 24-hour day.

19 "Child day care." In lieu of parental care given for part of
20 the 24-hour day to children under 16 years of age, away from
21 their own homes. The term does not include child day care
22 furnished in places of worship during religious services.

23 "Department." The Department of Community and Economic
24 Development of the Commonwealth.

25 "Facility." A State-approved child day-care facility or
26 program, including a registered family day-care home.

27 "Fund." The Day-care Facilities Loan and Loan Guarantee
28 Fund.

29 Section 3. Fund.

30 (a) Establishment.--There is hereby established a nonlapsing

1 revolving fund to be known as the Day-care Facilities Loan and
2 Loan Guarantee Fund within the State Treasury for the purpose of
3 making or guaranteeing loans for expansion or development or
4 improvement for compliance with State and local health and
5 safety standards at child day-care or adult day-care facilities
6 in this Commonwealth.

7 (b) Administration.--The fund shall be administered by the
8 department.

9 Section 4. Application for loan and loan guarantee assistance.

10 (a) Form.--To apply for financial assistance, an applicant
11 shall submit to the department an application on a form that the
12 department provides.

13 (b) Required information.--The application shall include:

14 (1) A detailed description of the project.

15 (2) An itemization of known and estimated costs.

16 (3) The total amount of investment required to perform
17 the contract.

18 (4) The funds available to the applicant without loan
19 guarantee assistance from the department.

20 (5) The amount of loan guarantee assistance sought from
21 the department or in the case of a loan, the amount to be
22 borrowed.

23 (6) Information that relates to the inability of the
24 applicant to obtain adequate financing on reasonable terms
25 through normal lending channels.

26 (7) Information that relates to the financial status of
27 the applicant, including, if applicable:

28 (i) A current audited balance sheet.

29 (ii) A profit and loss statement.

30 (iii) Credit references.

1 (iv) Proof of viable administrative and financial
2 management.

3 (8) Any other relevant information that the department
4 requests.

5 Section 5. Types of financial assistance.

6 Subject to the restrictions of this act, the department, on
7 application, may provide to the applicant the following types of
8 financial assistance:

9 (1) A guarantee of a loan made to the applicant.

10 (2) If the applicant is a corporation, a guarantee of an
11 equity investment in the applicant.

12 (3) Direct loans to child day-care facilities for
13 improvements for compliance with State and local health and
14 safety standards.

15 Section 6. Prerequisites for loans and loan guarantees.

16 The department may guarantee a loan or provide a loan to an
17 applicant only if:

18 (1) The applicant meets the qualifications required
19 under this act.

20 (2) The loan is to be used to expand or develop a child
21 day-care or adult day-care facility project.

22 Section 7. Considerations in guaranteeing loans.

23 In guaranteeing loans under this act, consideration shall be
24 given to:

25 (1) Geographic distribution.

26 (2) Community need.

27 (3) Community income, with priority given to those
28 communities with the lowest median family income.

29 Section 8. Terms and conditions.

30 (a) Authority of department.--The department may set the

1 terms and conditions for loans and guarantees of loans.

2 (b) Maximum amount of guarantee.--The total aggregate amount
3 of the loan guarantee may not exceed 80% of the loan or a fixed
4 dollar amount not to exceed \$50,000.

5 (c) Maximum amount of insurance.--The total aggregate amount
6 of insurance from the fund, with respect to the insured portions
7 of the loan, may not exceed at any time an amount equal to three
8 times the balance available for loan guarantees in the fund.

9 (d) Maximum amount of loan.--Loans for facility improvements
10 for compliance with State and local health and safety standards
11 shall not exceed \$5,000.

12 Section 9. Loans.

13 (a) General rule.--The department may make loans to
14 qualified applicants if:

15 (1) The applicant meets the qualifications required by
16 this chapter.

17 (2) The applicant meets any additional requirements
18 imposed by the department.

19 (3) The loan will be used to assist applicants for
20 facility improvements for compliance with State and local
21 health and safety standards at child day-care facilities.

22 (b) Application.--To apply for a loan, an applicant shall
23 submit to the department an application on the form that the
24 department requires.

25 (c) Terms and conditions.--Except as provided in this act,
26 the department may set the terms and conditions for loans.

27 (d) Loan documents.--If the department decides to lend money
28 to an applicant, the department shall prepare loan documents.

29 The loan documents shall include the following:

30 (1) The rate of interest on the loan.

1 (2) The amount of the loan.

2 (3) A requirement that before each disbursement of loan
3 proceeds is released to the applicant the applicant and the
4 department cosign the request for the funds.

5 (4) Provisions for repayment of the loan.

6 (5) Any other provisions that the department determines
7 are necessary, including the taking of liens and security
8 interests in real and personal property.

9 (e) Foreclosure.--Mortgages or deeds of trust held as
10 security for loans made under this section which are in default
11 may be foreclosed by the department in the same manner as
12 provided by the Pennsylvania Rules of Civil Procedure.

13 (f) Term.--The term of the loan may not exceed five years.

14 (g) Child day-care facility.--The applicant for a loan must
15 agree to operate the child day-care facility for at least the
16 term of the loan and to repay the outstanding loan in full upon
17 the loss of license, termination of lease, transfer, sale or
18 refinancing of the child day-care facility, as applicable,
19 before the end of the term of the loan.

20 (h) Maximum amount.--The maximum amount of a direct loan
21 shall be \$5,000.

22 Section 10. Receipts.

23 All receipts designated for the fund shall be placed in the
24 fund, including:

25 (1) Federal funds allocated or granted to the fund.

26 (2) Private moneys donated or granted to the fund.

27 (3) Moneys appropriated by the State to the fund.

28 (4) Premiums for guaranteeing loans, fees, interest
29 payments and interest accruing on investments of fund moneys,
30 and principal payments on loans.

(5) Proceeds from the sale, disposition, lease or rental of collateral relating to loans.

Section 11. Expenses and disbursements.

The fund shall be used to pay all expenses and disbursements authorized by the department for expanding or developing or making improvements for compliance with State and local health and safety standards at child day-care and adult day-care facilities in this Commonwealth, including:

(1) Guarantee payments required by loan defaults.

(2) Expenses for administrative, legal, actuarial and other services.

Section 12. Limitations on fund.

Use of moneys in the fund for the purpose of providing loan guarantees shall not exceed 50% of the total amount in the fund. The remaining 50% shall be available for direct loans.

Section 13. Violations of guarantee agreement.

If an applicant violates any provisions of the loan guarantee agreement or ceases to meet the requirements of this act, on reasonable notice to the applicant, the department may:

(1) Withhold from the applicant further loan guarantees until the applicant complies with the agreement or requirements.

(2) Exercise any other remedy for which the loan guarantee agreement provides.

Section 14. False statements or reports.

(a) Application.--A person may not knowingly make or cause any false statement or report to be made in any application or in any document furnished to the department.

(b) Influence of department action.--A person may not knowingly make or cause any false statement or report to be made

1 for the purpose of influencing the action of the department on
2 an application for financial assistance or for the purpose of
3 influencing any action of the department affecting financial
4 assistance whether or not this assistance may have already been
5 extended.

6 (c) Penalty.--Any person who violates this act commits a
7 misdemeanor of the first degree.

8 Section 15. Rules and regulations.

9 The department shall promulgate rules and regulations to
10 carry out the purposes of this act.

11 Section 16. Appropriation.

12 The sum of \$1,000,000 is hereby appropriated to the Child
13 Day-care Facilities Loan and Loan Guarantee Fund for the fiscal
14 year July 1, 1998, to June 30, 1999, to carry out the provisions
15 of this act. This appropriation shall not lapse. The following
16 amounts are hereby allocated for the fiscal years indicated:

17	Amount of	Fiscal
18	Appropriation	Year
19	\$500,000	July 1, 1998 - June 30, 1999
20	\$100,000	July 1, 1999 - June 30, 2000
21	\$100,000	July 1, 2000 - June 30, 2001
22	\$100,000	July 1, 2001 - June 30, 2002
23	\$100,000	July 1, 2002 - June 30, 2003
24	\$100,000	July 1, 2003 - June 30, 2004

25 Section 17. Effective date.

26 This act shall take effect in 90 days.