



STATE OF CONNECTICUT

OFFICE OF EARLY CHILDHOOD



Connecticut Administered State-Funded Program General Policy A-03

Commitments to CHEFA Financed Tax-Exempt Loans

- ☒ OEC Early Start CT Programs
 - ☒ OEC Smart Start CT Programs
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The Child Care Facilities Loan Fund program (CCFLF) was established in 1997 to provide low-interest loans to eligible child care providers to improve their facilities through the purchase of land, site development, and construction and/or renovations. Over time, the statutory responsibility for this program was transferred to the CT Office of Early Childhood (OEC).

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

This general policy provides requirements and guidance to child care providers who have been awarded CHEFA loans. These providers are either contractors of the OEC Early Start CT (ESCT) program, Smart Start grant awardees, or State Department of Education Charter Schools.

POLICY

Expectations of Applicants

All ESCT and Smart Start program managers applying to CHEFA for funding are required to contact their OEC Program Manager before submitting an application.

The Loan Application Process

- **Application:** Applicants must complete each required section below of the application provided by CHEFA and submit to CHEFA:
 - a. Part I, the OEC Form, requests program contact information and information about child and family demographics,
 - b. Part II, the CHEFA Data Form, requests agency organizational and demographic information about the agency, as well as current and historical financial and loan-specific site information.

When Parts I and II of the application are received, CHEFA staff review the request for completeness, loan suitability, and project cost.



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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.

Expectations Of Loan Recipients

Loan recipients must ensure that the utilization of their space complies with the loan provisions. Any cases of underutilization should be reported to CHEFA and to the following individuals quarterly as applicable:

- Early Start CT Program Manager
- Smart Start Program Manager

CHEFA Loan Oversight and Space Reassignment

A loan recipient is provided with space guarantees which are defined in Special Act 13-16. This provision ensures that any improvements 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 replacement of the entity to manage program operations at the loan facility.

The ESCT Contractor or Smart Start program may request approval from the OEC and CHEFA to reduce or reconfigure the space commitment *for the remaining term of the loan agreement* if the following conditions exist:

- Only ESCT and Smart Start spaces in excess of the number originally established in the commitment letter may be reduced. This reduction or reconfiguration of the space commitment in no way alters the amount of the non-state supported debt service the loan recipient must repay.
- At least six months of noncompliance has been demonstrated,
- The loan recipient has continually been notified by CHEFA and/or OEC 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.

Debt Service Intercept

CHEFA has been able to offer attractive interest rates on the Tax-Exempt Program by requiring that the full debt service payment from the state is 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."



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

- OEC ESCT contract funds
- OEC Smart Start grant awards
- CSDE Charter School funds

OTHER IMPORTANT POLICY CONSIDERATIONS:

- 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.
- 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 your assigned OEC Program Manager.

To the extent any provisions of this General Policy are found inconsistent with any contract or grant provisions, the contract or grant shall govern.

For further information concerning this GENERAL POLICY please contact your OEC Program Manager or visit <https://www.ctoec.org/contact-us/>