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INTERGOVERNMENTAL AFFAIRS DIVISION

COUNTY AGENCY LEGISLATIVE COMMENT REQUEST FORM

Reviewing Agency: FSC

Bill/Resolution Number: CB – 015-2026

Brief Summary of the Bill/Resolution:

Please provide a brief description of the bill in your own words and do not cut and paste the bill's purpose section.

Child Care Building Blocks Bill (CB-015-2026) intends to provide funding for capital improvements and related expenses for childcare centers and home-based childcare facilities. The bill will establish a loan program by carving out at least \$500,000 from the Economic Development Incentive (EDI) Fund. The funding would provide for loans with terms of 0% for the first 12 months. The bill further permits the funding of nonprofit centers and home-based facilities.

Agency Impact:

Will this bill impact your Agency financially or operationally, or your Agency's mission?

Yes No Undeterminable at this time

If yes, please select the appropriate impact: Positive Impact Negative Impact No Impact

Discussion of Impact:

The intent of the bill overall is positive in that childcare is an essential industry in need of access to capital. Without sufficient childcare capacity, communities face direct impacts on workforce participation, business growth, and economic stability.

However, there are a few provisions in the bill that could impact seamless deployment and administration as a loan program:

0% interest - the interest income is how FSC covers expenses of administering the program, specifically marketing, origination, underwriting, portfolio management, workout & liquidation, technology, technical assistance and staffing. There could be as many as 50 loans.

Nonprofit – this bill as amended the EDI Fund legislation allowing all provisions in the bill including the funding of nonprofit childcare facilities. Historically, the program has not made loans to non-profits or foundations because the underwriting model for nonprofits is significantly different than loans. For nonprofits, underwriting centers around the viability of repayment relying on grant cycles, philanthropy and donor concentration. Assets or collateral is managed by a Board of Directors and owned by the entity and cannot be pledged as collateral by an individual. In the event of loan default, the optics on foreclosing on a nonprofit would not be favorable. FSC does not underwrite or provide servicing for nonprofits. Capacity to do so would require the hiring of at least 2 staff members (nonprofit underwriter and asset manager).

Home based – in our experience home-based childcare facilities requiring in depth technical assistance as it related to the finances of the business. These facilities are often the most in need of implemental or on-going business training and coaching. FSC would recommend the funding of a childcare industry accelerator to assist the smaller childcare facilities in qualifying for loans.



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Fiscal Impact: /SB

Please provide an estimate of the financial impact. For example, will this bill require you to hire more staff, create a computer system, etc?

If FSC is the administrator:

In order to serve non-profits, FSC would need to hire an underwriter at \$90,000 annually and an asset manager at \$88,000 annually conservatively.

If 0% interest loans are provided, the income lost for every \$500,000 loaned at 0% interest for the first 12 months would be approximately \$13,645.

Agency Position Recommendation:

Support Oppose Support with Amendments No position.

Please specify any suggested amendments in the space below?

If FSC is to be assigned as the administrator:

No nonprofits because it requires specialized underwriting and asset management.

No 0% interest or interest deferment without providing FSC with an administrative fee similar to CB-62-2022 to cover expenses as there could be as many as 50 loans.

Require home-based childcare facilities to take advantage of available technical assistance related to financial business matters.

Require that funding cannot be disbursed unless the center/facility is fully licensed by the County and/or State. This could be part of the adopted lending standards and procedures.

Alternatively, the program could be run as a grant program with administration and reporting conducted by EDC. A similar program was operated during the pandemic.

Additional Information:

Has your agency been contacted by the State Department of Legislative Services staff regarding this proposal?

Yes No

If yes, please provide comments about the discussion.

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