



Division of Child Care and Early Childhood Education

www.arkansas.gov/childcare/



PROGRAM SUPPORT

P.O. Box 1437, Slot S160 Little Rock, AR 72203 501-682-9699 Fax: 501-682-4897 TDD 501-682-1550

ARKANSAS CHILD CARE FACILITIES GUARANTEED LOAN PROGRAM GUIDELINES FOR APPLICATION PROCESS

What is a guaranteed loan?

Often it can be difficult for child care providers to meet the requirements for typical business financing from a bank. The Division of Child Care and Early Childhood Education administer funds established to support the development and expansion of child care facilities in the state. With these funds, the state of Arkansas acts as a guarantor for child care providers who otherwise would not qualify for the loan at the provider's selected lending institution. The total amount of the loan request is determined by the business needs of the provider. If funding is approved, the bank issues the loan and the state guarantees, in case of default, to reimburse the bank for 80% of the outstanding principle balance, up to a maximum of \$25,000. In other words, the state of Arkansas takes a role similar to that of a co-signer on the loan, but only for the amount established in a guarantee agreement with the bank.

Who is eligible for guaranteed loans?

Those who desire to establish a new licensed child care facility or expand an existing licensed facility and are in good standing with the Department of Human Services may apply for a guaranteed loan. Any applicant or child care facility that is excluded from services through the Department of Human Services cannot be approved for the guarantee. Either licensed child care family homes or licensed child care centers may obtain support through the Guaranteed Loan Fund. If the funding is for the purpose of establishing a new facility, licensing requirements must be completed in a timely manner after the funding is obtained.

What types of activities or items may be financed with the loan funds?

These funds may be used for any aspect of establishing or expanding a child care facility. This may include, but not limited to, the following: construction and remodeling costs; temporary support for staff salaries; temporary support for operating expenses such as utilities, rent, food, supplies, and other normal business expenses; equipment for playgrounds; equipment for learning environments; training expenses; advertising; and transportation costs.

How do I apply for a guaranteed loan?

Application forms for Arkansas Child Care Facilities Loan Fund may be obtained through the Arkansas Division of Child Care and Early Childhood Education Program Support office. You may request an application by writing to P.O. Box 1437, Slot S-160, Little Rock, AR 72203-1437, by phone at (501) 682-9699, by e-mailing Dee Walker at dee.walker@arkansas.gov to be e-mailed to you, or by downloading the application via our website address at www.arkansas.gov/childcare (you can type on the e-mail copy but not on the website copy).

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What do I need to do to complete the application process?

Although it is not a complicated process, completion of a successful guaranteed loan application requires some detailed work and planning. To make this work effectively, we ask you to complete the following steps.

- _____ 1. Request an application packet and read the information and requirements completely and carefully. As you do this, write down any questions you may have and note anything you do not understand.
- _____ 2. Ask to talk to the Program Development Coordinator at the Arkansas Division of Child Care and Early Childhood Education Program Support Office, phone (501) 682-9699. This individual will be able to answer any questions and will work with you to help you develop the strongest possible application for your facility.
- _____ 3. Complete a beginning draft of the financial information section of your application to help you determine a tentative level of financial need for your loan application.
- _____ 4. Identify a local bank or other financial institution appropriate for your situation and complete their application process. If they approve your loan, you will not be eligible for the guarantee loan fund support and should continue your business plans by working with the bank and local small business administration offices.
- _____ 5. If the bank denies your loan, ask them if they would be willing to consider the loan if the state acts as a guarantor for the loan. If the lending institution is not familiar with the guaranteed loan fund, share information from this packet with them and let them know that they may also call the Program Development Coordinator at the Division of Child Care and Early Childhood Education Program Support office for answers to their questions.
- _____ 6. Request a letter from your bank or lending institution stating reasons for denial of the loan and stating they would be willing to reconsider the loan with the state guarantee.
- _____ 7. Gather all required information for your application. This includes the following:
 - Completed Arkansas Child Care Facilities Loan Guarantee Fund Application.
 - All request (including new, renovation or expansion) must be inspected and have a letter from your local child care licensing specialist. If you do not have the name of that individual, contact the licensing office at (501)682-8590 or (800) 445-3316 and they will assist you in making contact with your local specialist. New facilities will need to arrange for a preliminary inspection of the proposed facility through their local licensing specialist to obtain this letter.
 - Letters documenting zoning, health, and fire approvals.
 - Letter of denial from bank or lending institution. Letter should include information on whether the bank would be willing to issue the loan if 80%, up to \$25,000, is guaranteed.
 - Five year business plan, using forms and formats in application packet.
 - Five year projected budget, using forms and formats in application packet.
 - Completed loan application for the bank or financial institution.
- _____ 8. Submit the completed application form and all supporting information in a single packet, fastened only with a single clip or staple in the upper, left-hand corner of the pages.

DO NOT use any binders, vinyl covers, folders or other special fastenings.

APPLICATIONS THAT DO NOT CONTAIN ALL OF THE REQUIRED ITEMS WILL NOT BE CONSIDERED.

How will I know if the guarantee is approved?

When your application packet is received, the Program Development Coordinator will review the information for completeness and to assess the effectiveness of your proposal. If necessary, the Program Development Coordinator will request additional information to support your application. You will receive a letter acknowledging receipt of your application and informing you of any additional information required. It is YOUR responsibility to follow through on the process and provide the information requested. Action on your application will not move forward until all information requested has been received.

After the application is complete and all additional information has been provided, the Program Development Coordinator will schedule a time for the applicant/provider to meet with the Finance Committee of the Arkansas Early Childhood Commission. At this meeting, committee members will review the application with representatives from the Division of Child Care and Early Childhood Education and the applicant/provider, asking questions about the proposed business plan, projected budget, and any other information they feel they need to make an informed decision about the proposed facility.

The commissioners make a recommendation to the Division. The Division has final authority to approve the application, deny the application, or request additional information before making a decision about the application. The applicant/provider will be informed as to the decision of the committee within three business days following the meeting.

Is there anything I can do to make my application more successful?

The application packet contains detailed instructions for each section of the application. Please follow the recommendations and complete each section thoroughly and carefully. Do not skip any sections and do not leave anything blank.

The process of applying for the guarantee includes only information that is necessary for successful development of a child care facility and business. If you do not understand some sections of the application or do not have the information required, you need to take the time to get that information and present it clearly and fully. A clear, fully-developed business plan and projected budget is recommended as a sound business practice in all businesses. Remember, even though we are in a caring business, it still must be based on sound business practices if we want to succeed.

Don't hesitate to contact the Arkansas Division of Child Care and Early Childhood Education Program Support Office or your licensing specialist with any questions or concerns. We are here to help you succeed in meeting the needs of children and families in the state of Arkansas.

D. APPROVALS (ATTACH DOCUMENTS VERIFYING ALL APPROVALS AND LICENSES):

- 1. PLANS APPROVED BY LICENSING UNIT YES NO
- 2. ~~ANY~~ CURRENT CHILD CARE LICENSES IN GOOD STANDING YES NO
- 3. PREVIOUS ADVERSE ACTION AGAINST ANY LICENSE YES NO
- 4. LOCAL ZONING BOARD APPROVAL YES NO
- 5. LOCAL FIRE MARSHAL APPROVAL YES NO
- 6. HEALTH DEPARTMENT APPROVAL YES NO

E. LOCAL NEED ANALYSIS:

- | | | | | |
|---|--|--|--|--|
| 1. TOTAL #
CHILD CARE
FACILITIES IN
LOCAL AREA | 2. TOTAL #
CHILD CARE
SLOTS IN
LOCAL AREA | 3. # INFANT
CARE SLOTS IN
LOCAL AREA | 4. # PRE-
SCHOOL CARE
SLOTS IN
LOCAL AREA | 5. # SCHOOL-
AGE CARE
SLOTS IN
LOCAL AREA |
| <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> | <input type="text"/> |

6. Please write a short paragraph describing why there is a need for more child care in your community and explaining how opening and/or expanding your facility will help to meet those needs: _____

F. LOAN INFORMATION

- 1. BANK NAME _____
- 2. ADDRESS _____
- 3. CITY _____ 4. STATE _____ 5. ZIP _____
- 6. CONTACT NAME _____ 7. CONTACT PHONE _____
- 8. TOTAL AMOUNT REQUESTED FROM BANK \$ _____
- 9. DESCRIBE BRIEFLY THE PURPOSE(S) OF THIS LOAN: _____

- 10. PROPOSED REPAYMENT PLAN: _____ MONTHS AT \$ _____ PER MONTH

11. I Certify that the information in this application is true and correct to the best of my knowledge.	
Signature of applicant	Date

FIVE YEAR BUDGET INCOME PROJECTION SUMMARY FORM
(Attach detailed budget justification sheet for all lines of summary form—see instructions.)

	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
1. BUSINESS INCOME					
a. Weekly fees					
b. Registration/Sign-up Fees					
c. Transportation Fees					
d. USDA Food Program					
e. Fund Raising					
f. Donations (In-kind/cash)					
g. Grants					
h. Other income(specify)					
i. Other income (specify)					
TOTAL INCOME					
BUSINESS EXPENSES					
a. Salaries/Wages					
b. Payroll taxes					
c. Fringe Benefits					
d. Food					
e. Materials/supplies					
f. Equipment/furniture					
g. Rent/lease/mortgage					
h. Utilities					
i. Insurance					
j. Fees/licensing					
k. Contract Services					
l. Repairs/improvements					
m. Vehicle payment/lease					
n. Gasoline/maintenance					
o. Other expenses(specify)					
p. Other expenses (specify)					
q. Other expenses (specify)					
TOTAL EXPENSES					

BUDGET JUSTIFICATION FORM

BUDGET ITEM	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
I. INCOME					
a. Weekly fees (times # of weeks of service)					
b. Registration/Sign-up Fees					
c; Transportation Fees					
d. USDA Food Program					
e. Fund Raising					
f. Donations (in-kind/ cash					
g. Grants					
h. Other Income (specify)					
i. Other Income (specify)					

BUDGET JUSTIFICATION FORM

BUDGET ITEMS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
II. BUSINESS EXPENSE					
a. Salary/Wages					
b. Payroll Taxes					
c. Fringe Benefits					
d. Food					
e. Materials/Supplies					
f. Equipment/Furniture					
g. Rent/Lease/Mortgage					
h. Utilities					
i. Insurance					
j. Fees/Licensing					
Other (specify)					

BUDGETED EXPENSE cont.

BUDGET ITEMS	YEAR 1	YEAR 2	YEAR 3	YEAR 4	YEAR 5
k. Contract Services					
l. Repairs /Improvements					
m. Vehicle Payment/Lease					
n. Gasoline/ Maintenance					
o. Other Expense (specify)					
p. Other Expense (specify)					
q. Other Expense (specify)					

FIVE-YEAR BUSINESS PLAN

	FINANCIAL GROWTH	MARKETING	STAFF DEVELOPMENT	FACILITY IMPROVEMENT	PROGRAM IMPROVEMENT
Y E A R 1					
Y E A R 2					
Y E A R 3					
Y E A R 4					
Y E A R 5					

**ARKANSAS CHILD CARE FACILITIES GUARANTEED LOAN PROGRAM
APPLICATION FORM INSTRUCTIONS**

PLEASE READ THE INSTRUCTIONS CAREFULLY AND COMPLETE THE FORMS ACCURATELY. DO NOT LEAVE ANY CATEGORIES BLANK. IF SOMETHING DOES NOT APPLY TO YOUR FACILITY, PLEASE MARK THE CATEGORY WITH THE LETTERS N/A. IF YOU HAVE ANY QUESTIONS, CONTACT THE PROGRAM DEVELOPMENT COORDINATOR.

A. Check the boxes that describe the facility you will be operating with completion of those plans proposed in this loan application. Use the following guidelines:

Check New Center for the following: 1) starting a child care center at a new site 2) new owner planning to purchase existing center 3) plan to change family care home to center care.

Check Expansion/Renovation Existing Center for the following: 1) adding space, remodeling, or making other changes to child care center applicant currently operates 2) operating expenses, program development, staff development or other program support at existing center.

Check New Family Home for the following: starting a new day care family home in your name.

Check Expansion/Renovation Existing Family Home for the following: 1) adding space, remodeling, or making other changes to family home applicant currently operates 2) operating expenses, program development, staff development or other program support at existing family home.

Check Non-Profit for the following: The applicant has submitted an application or completed the process of incorporating as a non-profit corporation through the Arkansas Secretary of State office 2) the center is operated by an existing non-profit organization (i.e. church, boys/girls club, etc.).

Check For-Profit for the following: a sole proprietor or partnership with profits earned by the business retained as income for one or more individuals 2) operated by a for-profit corporation.

- B. Complete applicant personal information (with home address) for individual who will act as contact and take primary responsibility for the child care center or family home. If there are additional applicants, note this after the first name and attach additional information for any co-applicants (including spouses or significant others who will be directly involved in the business) on a separate sheet attached to the application form.
- C. Complete this section's information for the location and name you plan to use if the loan application is approved and processed.
- D. You must provide evidence of necessary approvals in each of these categories. You must also provide copies of any licenses currently issued to any applicant or co-applicant. If you have been given an exemption or extension for approvals in any of the areas, you must attach a letter from the appropriate authority stating the nature of the exemption or extension and what will be required to complete the approval within the necessary time frames.
- E. When opening a new business or expanding an existing business, it is important to do research to be sure there is a real need for the service you offer in the location you plan to offer this service. To obtain this information, you need to identify all other child care providers in your area by checking your local phone book, contacting the Division of Child Care and Early Childhood Education, and visiting the Division's web site at www.arkansas.gov/childcare to search for providers in your area. You might want to talk directly to providers in your area and ask about their services to obtain additional information.
- F. Complete this section using information about the bank or other financial institution that will be issuing the loan to you upon approval of the guarantee, Please make sure you include the full, legal name of the bank or institution so it may be included accurately in the guarantee agreement. As contact, please give the name of the person who has been working with you throughout your loan process and/or will be handling the account if the guarantee is approved. You should have already been talking to a loan officer or other financial

institution representative as you are making your plans and completing applications. Talk to your banker about the monthly payment amount and the number of months it will take to pay the loan.

FIVE YEAR BUDGET PROJECTION SUMMARY FORM

This form provides a summary of the yearly totals the applicant plans for all income and expenses over the next five years. The totals to be included on the summary form should be calculated from the detailed information included in the matching sections of the Budget Justification Form. More specific guidance for what to include in each section will be provided in the instructions for that section of the application.

BUDGET JUSTIFICATION FORM

In this form, the applicant should provide concrete, specific details about all expenses and income included in each line item on the Budget Summary Form. You should consider including the following in your Budget Justification Form section:

I. INCOME

- a. **Weekly fees:** Calculate this figure by multiplying the number of children you will serve in each category (i.e. infant/toddler, pre-school, school age) by the fee you charge for each of these categories and then multiplying the total by the number of weeks you expect to provide care in each of the categories. If you provide part-time care calculate that separately and add to the full-time care total. Show all figures used in the Weekly Fees section of this form.

Unless you have a very small facility, and can demonstrate an ongoing waiting list (say this clearly in your budget justification if it is accurate for you), you should not calculate these figures based on 100% of your facility capacity through the entire year. With children adding and dropping, figures for a fully functioning center should still only be calculated on an average of 80% to 90% of total slots licensed. If you are starting a new facility, you should plan on lower percentages in Year 1 and Year 2, building to a high of 80-90% in Year 5.

- b. If you plan to charge a registration fee (a one-time charge required for parents to enroll their children in your center) you should calculate this in the following manner: multiply the average number of new enrollments each year by the amount you charge for an enrollment fee.
- c. If you transport children from your center to their school or pick up children from their school and transport them to your center, you may want to calculate fees as follows: multiply costs per trip times the number of children needing transport times the number of trips needed per week times the number of weeks care will be provided for those children. If you use a standard weekly amount you might want to use that times the number of weeks of care.
- d. As of October 1, 2000 the USDA food program is available for all day care centers and all day-care family homes (profit or non-profit). This program is similar to the school hot lunch programs and providers may receive specific amounts of financial reimbursement for meals served to children from low-income families. You may check our web site www.arkansas.gov/childcare and follow the Information for Provider links to obtain current rates of reimbursement or you may call (800) 482-5850 for more information and answers to questions about this program.
- e. Include in this category estimated funds expected from such events as bake sales, candy sales, car washes, special church offerings, etc. List in the budget justification the specific planned events each year and the amount estimated to be raised through that event.
- f. In this category include donations expected from outside organizations and local businesses. Include both cash donations and the estimated value of any anticipated in-kind donations (such as food items, room space for meetings, equipment, supplies, etc.) Possible sources of these donations could include local civic and social clubs, schools, grocery stores, retail stores, etc.
- g. Anticipate the estimated amounts you hope to receive through grant funding sources. These may include (but are not limited to) the enhancement and training grants offered through the Arkansas Division of Child Care and Early Childhood Education. For more information regarding these grants contact the Program Development office at (800) 445-3316 or (501) 682-9699 or visit our web site at www.arkansas.gov/childcare and follow the links.

- h. Include in this section all other income from sources not included above. Make sure to provide a description of this in your budget justification. If needed, please attach an additional page with the information.

II. EXPENSES

- a. Include salaries and wages for all full-time and part-time staff. Non-profit organizations should also include a salary for the applicant/provider as part of staff salaries. For-profit facilities may include the owner's salary here, or may choose to show this as profit. Make sure your figures for staff wages match the numbers of staff reported in the FACILITY/BUSINESS INFORMATION section of your application form.
- b. Social Security withholding by an employer is required by law. Check with your local Employment Security Division office for current information on rate of withholding as well as information on other programs such as Workmen's Compensation.
- c. Include in this section costs for such benefits as health insurance, child care provided for employee's children, etc. These costs can change annually and you should make sure that costs for any benefits or training mentioned in the staff development section are reflected in your budget either in this section or the "Other Expenses" section.

FIVE YEAR BUSINESS PLAN FORM

In each section of this form, make a brief statement of what you will do during that year in each category. Financial growth should include statements about how you will reduce your total debt or improve the financial status of your business. Marketing should include specific types of advertising you intend to use such as flyers, bulletin boards, ads in newspapers. Staff development should include the specific training and other professional development activities your staff will attend. Facility improvement should state exactly what changes, repairs or additions you will make to your actual building and grounds such as adding playground equipment or remodeling rooms. Program improvement should include the changes you will make to your program such as adding learning centers, changing curriculum or creating new materials and activities. If needed, please attach an additional page with the information.

RESOURCES

For information that might help you with your application you can contact the Arkansas Small Business Development Center (<http://asbdc.ualr.edu/consulting/toolbox.asp> or call 501-682-7700). The Small Business Administration website at www.sba.gov may also help you. You will find many different trainings and other help at both of these websites.