

109<sup>TH</sup> CONGRESS  
2<sup>D</sup> SESSION

# H. R. 6392

To provide for the construction and rehabilitation of child care facilities  
in areas of the Gulf Coast affected by Hurricanes Katrina and Rita.

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## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 6, 2006

Mr. JEFFERSON introduced the following bill; which was referred to the  
Committee on Financial Services

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## A BILL

To provide for the construction and rehabilitation of child  
care facilities in areas of the Gulf Coast affected by  
Hurricanes Katrina and Rita.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Emergency Gulf Coast  
5 Child Care Construction and Rebuilding Act”.

6 **SEC. 2. CONGRESSIONAL FINDINGS.**

7 The Congress finds that—

8 (1) the Bureau of the Census has reported that,  
9 before Hurricane Katrina occurred, there were in  
10 New Orleans—

1 (A) 25,000 two-parent families with chil-  
2 dren under the age of 18;

3 (B) 26,000 female-headed households with  
4 children under 18 and no husband present; and

5 (C) more than 18,000 households con-  
6 sisting of an individual more than 65 years old  
7 living alone;

8 (2) studies have determined that reopening  
9 child care facilities after Hurricane Katrina was cru-  
10 cial for helping parents get back to work and busi-  
11 nesses to recover;

12 (3) studies have shown that a lack of available  
13 and affordable child care greatly impedes economic  
14 recovery and reduces worker productivity;

15 (4) the National Association of Child Care Re-  
16 source and Referral Agencies reported in a study  
17 published by the Mississippi State University Early  
18 Childhood Institute that between 62 and 94 percent  
19 of the licensed child care slots in the three coastal  
20 counties in Mississippi hardest hit by Hurricanes  
21 Katrina and Rita were lost;

22 (5) initial assessments determined that one-  
23 fourth of the licensed child care centers, in Jackson  
24 County, Mississippi, representing 11 percent of the  
25 county's licensed child care capacity, were damaged

1 beyond repair and another 39 percent of centers  
2 needed repairs;

3 (6) before Hurricanes Katrina and Rita, New  
4 Orleans had 1,912 day care slots at 266 licensed  
5 child care centers, but now 75 percent of those slots  
6 and 80 percent of those centers are gone;

7 (7) studies have determined that—

8 (A) 33 of 61 neighborhoods in New Orle-  
9 ans lost all their licensed day care centers;

10 (B) another 19 neighborhoods lost at least  
11 some day care slots; and

12 (C) several neighborhoods completely lack-  
13 ing licensed child care have already shown  
14 strong signs of recovery, including Bywater and  
15 Broadmoor, while areas such as Central City,  
16 Mid-City, and Uptown have lost 60 percent or  
17 more of their centers;

18 (8) only 55 child care centers were open in New  
19 Orleans at the end of September 2006 and of those  
20 10 participated in the Federal Head Start program,  
21 which is one-third the participation level pre-  
22 Katrina;

23 (9) a recent study found that the New Orleans  
24 still lacks any coordinated plan for returning child  
25 care to neighborhoods that need it most; and

1           (10) studies have stated that the most effective  
2           way to rebuild the child care infrastructure is to  
3           help child care programs in the disaster area reopen  
4           as rapidly as is safe, by giving priority to licensed  
5           early childhood facilities and by recruiting, training,  
6           and retaining child-care professionals.

7 **SEC. 3. USE OF COMMUNITY DEVELOPMENT BLOCK**  
8                                   **GRANTS TO ESTABLISH CHILD CARE FACILI-**  
9                                   **TIES IN THE GULF COAST.**

10           Section 105(a) of the Housing and Community De-  
11           velopment Act of 1974 (42 U.S.C. 5305(a)) is amended—

12           (1) in paragraph (24), by striking “and” at the  
13           end;

14           (2) in paragraph (25), by striking the period at  
15           the end and inserting “; and”; and

16           (3) by adding at the end the following:

17           “(26) the construction and rebuilding of child  
18           care facilities that are located in any area for which  
19           the President declared that a major disaster exists,  
20           in accordance with section 401 of the Robert T.  
21           Stafford Disaster Relief and Emergency Assistance  
22           Act (42 U.S.C. 5170), as a consequence of Hurri-  
23           cane Katrina or Rita of 2005.”.

1 **SEC. 4. INSURANCE FOR MORTGAGES ON NEW AND REHA-**  
2 **BILITATED CHILD CARE FACILITIES IN THE**  
3 **GULF COAST.**

4 Title II of the National Housing Act (12 U.S.C. 1707  
5 et seq.) is amended by adding at the end the following:

6 **“SEC. 257. MORTGAGE INSURANCE FOR CHILD CARE FA-**  
7 **CILITIES IN THE GULF COAST.**

8 “(a) DEFINITIONS.—In this section:

9 “(1) CHILD CARE FACILITY.—The term ‘child  
10 care facility’—

11 “(A) means a public or private facility  
12 that—

13 “(i) has as its purpose the care and  
14 development of—

15 “(I) children who are less than  
16 16 years of age; or

17 “(II) school-age children and  
18 youth during non-school hours; and

19 “(ii) is operated in accordance with all  
20 applicable State and local laws and regula-  
21 tions; and

22 “(B) does not include any facility for  
23 school-age children that is primarily for use  
24 during normal school hours.

25 “(2) EQUIPMENT.—The term ‘equipment’ in-  
26 cludes—

1           “(A) machinery, utilities, and built-in  
2 equipment, and any necessary enclosure or  
3 structure to house them; and

4           “(B) any other items necessary for the  
5 functioning of a particular facility as a child  
6 care facility, including necessary furniture,  
7 books, and curricular and program materials.

8           “(3) FIRST MORTGAGE.—The term ‘first mort-  
9 gage’—

10           “(A) means such classes of first liens as  
11 are commonly given to secure advances (includ-  
12 ing advances during construction) on, or the  
13 unpaid purchase price of, real estate under the  
14 laws of the State in which the real estate is lo-  
15 cated, together with the credit instrument or in-  
16 struments (if any) secured thereby; and

17           “(B) includes any mortgage in the form of  
18 1 or more trust mortgages or mortgage inden-  
19 tures or deeds of trust, securing notes, bonds,  
20 or other credit instruments, that, by the same  
21 instrument or by a separate instrument, creates  
22 a security interest in initial equipment, whether  
23 or not attached to the realty.

24           “(4) MORTGAGE.—The term ‘mortgage’ means  
25 a first mortgage on real estate in fee simple, or on

1 the interest of either the lessor or lessee thereof  
2 under a lease having a period of not less than 7  
3 years to run beyond the maturity date of the mort-  
4 gage.

5 “(5) MORTGAGOR.—The term ‘mortgagor’ has  
6 the meaning given the term in section 207(a).

7 “(b) INSURANCE OF MORTGAGES.—In order to facili-  
8 tate the establishment and rehabilitation of child care fa-  
9 cilities, the Secretary may—

10 “(1) insure a mortgage that is secured by a  
11 property or project that is—

12 “(A) a new child care facility, including a  
13 new addition to an existing child care facility  
14 (regardless of whether the existing facility is  
15 being rehabilitated), that meets the require-  
16 ments of subsection (c); or

17 “(B) a substantially rehabilitated child  
18 care facility, including equipment to be used in  
19 the operation of the facility, that meets the re-  
20 quirements of subsection (c); and

21 “(2) make a commitment to insure any mort-  
22 gage described in paragraph (1) before the date of  
23 execution or disbursement of the mortgage.

24 “(c) TERMS AND CONDITIONS.—

1           “(1) ELIGIBLE CHILD CARE FACILITIES.—Each  
2 mortgage insured under this section shall be secured  
3 by a child care facility that meets the following re-  
4 quirements:

5           “(B) LOCATION IN GULF COAST.—The fa-  
6 cility is located, or to be located, in an area for  
7 which the President declared that a major dis-  
8 aster exists, in accordance with section 401 of  
9 the Robert T. Stafford Disaster Relief and  
10 Emergency Assistance Act (42 U.S.C. 5170), as  
11 a consequence of Hurricane Katrina or Rita of  
12 2005.

13           “(A) COMPLIANCE WITH STANDARDS.—  
14 The facility complies with any laws, standards,  
15 and requirements applicable to such facilities  
16 under the laws of the State, municipality, or  
17 other unit of general local government in which  
18 the facility is or is to be located.

19           “(2) APPROVED MORTGAGOR.—

20           “(A) IN GENERAL.—Each mortgage in-  
21 sured under this section shall be executed by a  
22 mortgagor approved by the Secretary.

23           “(B) REGULATION.—The Secretary may—

24           “(i) require an approved mortgagor  
25 who executes a mortgage under subpara-

1 graph (A) to be regulated with respect to  
2 charges and methods of financing and, if  
3 the mortgagor is a corporate entity, with  
4 respect to capital structure and rate of re-  
5 turn; and

6 “(ii) as an aid to the regulation of any  
7 mortgagor under clause (i), make such  
8 contracts with and acquire for not more  
9 than \$100 such stock or interest in such  
10 mortgagor as the Secretary considers to be  
11 necessary.

12 “(C) STOCK OR INTEREST.—Any stock or  
13 interest purchased under subparagraph (B)(ii)  
14 shall be—

15 “(i) paid for out of the General Insur-  
16 ance Fund; and

17 “(ii) redeemed by the mortgagor at  
18 par upon the termination of all obligations  
19 of the Secretary under the insurance.

20 “(3) PRINCIPAL OBLIGATION.—Each mortgage  
21 insured under this section shall involve a principal  
22 obligation in an amount not to exceed 90 percent of  
23 the estimated value of the property or project, or 95  
24 percent of the estimated value of the property or  
25 project in the case of a mortgagor that is a private

1 nonprofit corporation or association (as defined pur-  
2 suant to section 221(d)(3)), including—

3 “(A) equipment to be used in the operation  
4 of the facility when the proposed improvements  
5 are completed and the equipment is installed; or

6 “(B) a solar energy system (as defined in  
7 subparagraph (3) of the last paragraph of sec-  
8 tion 2(a)) or residential energy conservation  
9 measures (as defined in subparagraphs (A)  
10 through (G) and (I) of section 210(11) of the  
11 National Energy Conservation Policy Act), in  
12 cases in which the Secretary determines that  
13 such measures are in addition to those required  
14 under the minimum property standards and will  
15 be cost-effective over the life of the measure.

16 “(4) AMORTIZATION AND INTEREST.—Each  
17 mortgage insured under this section shall—

18 “(A) provide for complete amortization by  
19 periodic payments under such terms as the Sec-  
20 retary shall prescribe;

21 “(B) have a maturity date satisfactory to  
22 the Secretary, but in no event longer than 40  
23 years; and

24 “(C) bear interest at such rate as may be  
25 agreed upon by the mortgagor and the mort-

1           gagee, and the Secretary shall not issue any  
2           regulations or establish any terms or conditions  
3           that interfere with the ability of the mortgagor  
4           and mortgagee to determine the interest rate.

5           “(5) RELEASE.—The Secretary may consent to  
6           the release of a part or parts of the mortgaged prop-  
7           erty or project from the lien of any mortgage in-  
8           sured under this section upon such terms and condi-  
9           tions as the Secretary may prescribe.

10          “(6) MORTGAGE INSURANCE TERMS.—Sub-  
11          sections (d), (e), (g), (h), (i), (j), (k), (l), and (n) of  
12          section 207 apply to any mortgage insured under  
13          this section, except that all references in such sub-  
14          sections to section 207 shall be construed, for pur-  
15          poses of mortgage insurance under this section, to  
16          refer to this section.

17          “(d) MORTGAGE INSURANCE FOR FIRE SAFETY  
18          EQUIPMENT LOANS.—

19          “(1) AUTHORITY.—The Secretary may, upon  
20          such terms and conditions as the Secretary may pre-  
21          scribe, make commitments to insure and insure  
22          loans made by financial institutions or other ap-  
23          proved mortgagees to child care facilities to provide  
24          for the purchase and installation of fire safety equip-  
25          ment necessary for compliance with the 1967 edition

1 of the Life Safety Code of the National Fire Protec-  
2 tion Association (or any subsequent edition specified  
3 by the Secretary of Health and Human Services).

4 “(2) LOAN REQUIREMENTS.—To be eligible for  
5 insurance under this subsection a loan shall—

6 “(A) not exceed the estimate by the Sec-  
7 retary of the reasonable cost of the equipment  
8 fully installed;

9 “(B) bear interest at such rate as may be  
10 agreed upon by the mortgagor and the mort-  
11 gagee;

12 “(C) have a maturity date satisfactory to  
13 the Secretary;

14 “(D) be made by a financial institution or  
15 other mortgagee approved by the Secretary as  
16 eligible for insurance under section 2 or a mort-  
17 gagee approved under section 203(b)(1);

18 “(E) comply with other such terms, condi-  
19 tions, and restrictions as the Secretary may  
20 prescribe; and

21 “(F) be made with respect to a child care  
22 facility for which a certification of compliance  
23 has been issued by the Secretary under section  
24 258(c) during the 12-month period preceding

1 the date on which the commitment to insure is  
2 issued under this subsection.

3 “(3) INSURANCE REQUIREMENTS.—

4 “(A) SECTION 2.—Subsections (c), (d),  
5 and (h) of section 2 shall apply to any loan in-  
6 sured under this subsection, except that all ref-  
7 erences in such subsections to ‘this section’ or  
8 ‘this title’ shall be construed, for purposes of  
9 this subsection, to refer to this subsection.

10 “(B) SECTION 220.—Paragraphs (5), (6),  
11 (7), (9), and (10) of section 220(h) shall apply  
12 to any loan insured under this subsection, ex-  
13 cept that all references in such paragraphs to  
14 home improvement loans shall be construed, for  
15 purposes of this subsection, to refer to loans  
16 under this subsection.

17 “(e) SCHEDULES AND DEADLINES.—The Secretary  
18 shall establish schedules and deadlines for the processing  
19 and approval (or provision of notice of disapproval) of ap-  
20 plications for mortgage insurance under this section.

21 “(f) LIMITATION ON INSURANCE AUTHORITY.—

22 “(1) TERMINATION.—No mortgage may be in-  
23 sured under this section or section 223(h) after De-  
24 cember 30, 2008, except pursuant to a commitment  
25 to insure issued on or before such date.

1           “(2) AGGREGATE PRINCIPAL AMOUNT LIMITA-  
2           TION.—

3           “(A) IN GENERAL.—The aggregate prin-  
4           cipal amount of mortgages for which the Sec-  
5           retary enters into commitments to insure under  
6           this section or section 223(h) on or before the  
7           date described in paragraph (1) may not exceed  
8           \$100,000,000.

9           “(B) REPORT.—If, on the date described  
10          in paragraph (1), the aggregate insurance au-  
11          thority provided under this paragraph has not  
12          been fully used, the Secretary of the Treasury  
13          shall submit to Congress a report evaluating the  
14          need for continued mortgage insurance under  
15          this section.

16          “(g) NONDISCRIMINATION REQUIREMENT.—

17          “(1) IN GENERAL.—A child care facility receiv-  
18          ing assistance under this title may not discriminate  
19          on the basis of race, color, or national origin (to the  
20          extent provided in title VI of the Civil Rights Act of  
21          1964 (42 U.S.C. 2000d et seq.)), religion (subject to  
22          subparagraph (B)), national origin, sex (to the ex-  
23          tent provided in title IX of the Education Amend-  
24          ments of 1972 (20 U.S.C. 1681 et seq.)), or dis-  
25          ability (to the extent provided in section 504 of the

1 Rehabilitation Act of 1973 (29 U.S.C. 794)), under  
2 any program or activity receiving Federal financial  
3 assistance under this title.

4 “(2) FACILITIES OF RELIGIOUS ORGANIZA-  
5 TIONS.—The prohibition with respect to religion  
6 under paragraph (1) shall not apply to a child care  
7 facility that is controlled by, or that is closely identi-  
8 fied with, the tenets of a particular religious organi-  
9 zation, if the application of this paragraph would not  
10 be consistent with the religious tenets of such orga-  
11 nization.

12 “(h) LIABILITY INSURANCE.—A child care provider  
13 operating a child care facility assisted under this section  
14 or section 223(h) shall obtain and maintain liability insur-  
15 ance in such amounts and subject to such requirements  
16 as the Secretary considers to be appropriate.

17 “(i) SMALL PURPOSE LOANS.—

18 “(1) IN GENERAL.—To the extent that amounts  
19 are made available pursuant to subsection (l), the  
20 Secretary shall make loans, directly or indirectly, to  
21 providers of child care facilities for reconstruction or  
22 renovation of such facilities, in accordance with this  
23 subsection.

24 “(2) REQUIREMENTS.—A loan under this sub-  
25 section—

1           “(A) may be made only for a child care fa-  
2           cility that is financially and operationally viable,  
3           as determined under standards established by  
4           the Secretary;

5           “(B) may not have a term to maturity ex-  
6           ceeding 7 years;

7           “(C) shall bear interest at a rate estab-  
8           lished by the Secretary; and

9           “(D) shall be subject to such other terms  
10          and conditions as the Secretary may establish  
11          by regulation.

12          “(3) AGGREGATE LOAN AMOUNT.—The aggre-  
13          gate amount of loans under this subsection to a sin-  
14          gle provider may not exceed \$100,000.

15          “(j) NOTIFICATION.—The Secretary shall take such  
16          actions as may be necessary to publicize the availability  
17          of the programs for mortgage insurance under this section  
18          and section 223(h), and the loan program under sub-  
19          section (i) of this section, in a manner that ensures that  
20          information concerning such programs will be available to  
21          child care providers throughout the United States.

22          “(k) REGULATIONS.—The Secretary shall—

23                 “(1) issue any regulations necessary to carry  
24                 out this section; and

1           “(2) in carrying out paragraph (1), consult with  
2           the Secretary of Health and Human Services with  
3           respect to any aspects of the regulations regarding  
4           child care facilities.

5           “(1) AUTHORIZATION OF APPROPRIATIONS.—There is  
6           authorized to be appropriated to carry out this section  
7           \$10,000,000 for fiscal year 2006, 2007, and 2008, to re-  
8           main available until expended, of which not more than 3  
9           percent may be used for loans under subsection (i).”.

10 **SEC. 5. INSURANCE FOR MORTGAGES FOR ACQUISITION OR**  
11 **REFINANCING DEBT OF EXISTING CHILD**  
12 **CARE FACILITIES IN THE GULF COAST.**

13           (a) IN GENERAL.—Section 223 of the National  
14           Housing Act (12 U.S.C. 1715n) is amended by adding at  
15           the end the following:

16           “(h) MORTGAGE INSURANCE FOR PURCHASE OR RE-  
17           FINANCING OF EXISTING CHILD CARE FACILITIES IN THE  
18           GULF COAST.—

19           “(1) DEFINITIONS.—In this subsection, the  
20           terms that are defined in section 257(a) have the  
21           same meanings as provided in that section.

22           “(2) AUTHORITY.—Notwithstanding any other  
23           provision of this Act, the Secretary may insure  
24           under any section of this title a mortgage executed  
25           in connection with—

1           “(A) the purchase or refinancing of an ex-  
2           isting child care facility that is located in an  
3           area for which the President declared that a  
4           major disaster exists, in accordance with section  
5           401 of the Robert T. Stafford Disaster Relief  
6           and Emergency Assistance Act (42 U.S.C.  
7           5170), as a consequence of Hurricane Katrina  
8           or Rita of 2005;

9           “(B) the purchase of a structure located in  
10          such an area to serve as a child care facility; or

11          “(C) the refinancing of existing debt of an  
12          existing child care facility located in such an  
13          area.

14          “(3) PURCHASE OF EXISTING FACILITIES AND  
15          STRUCTURES.—In the case of the purchase under  
16          this subsection of an existing child care facility or  
17          purchase of an existing structure to serve as such a  
18          facility, the Secretary shall prescribe any terms and  
19          conditions that the Secretary considers necessary to  
20          ensure that—

21                 “(A) the facility or structure purchased  
22                 continues to be used as a child care facility; and

23                 “(B) the facility complies with any laws,  
24                 standards, and requirements applicable to such  
25                 facilities under the laws of the State, munici-

1           pality, or other unit of general local government  
2           in which the facility is or is to be located.

3           “(4) REFINANCING OF EXISTING FACILITIES.—

4           In the case of refinancing of an existing child care  
5           facility, the Secretary shall prescribe any terms and  
6           conditions that the Secretary considers necessary to  
7           ensure that—

8                   “(A) the refinancing is used to lower the  
9                   monthly debt service costs (taking into account  
10                  any fees or charges connected with such refi-  
11                  nancing) of the existing facility;

12                   “(B) the proceeds of any refinancing will  
13                  be employed only to retire the existing indebted-  
14                  ness and pay the necessary cost of refinancing  
15                  on the existing facility;

16                   “(C) the existing facility is economically  
17                  viable; and

18                   “(D) the facility complies with any laws,  
19                  standards, and requirements applicable to such  
20                  facilities under the laws of the State, munici-  
21                  pality, or other unit of general local government  
22                  in which the facility is or is to be located.

23           “(5) LIMITATION ON INSURANCE AUTHORITY.—

24           The authority of the Secretary to enter into commit-

1       ments to insure mortgages under this subsection is  
2       subject to section 257(f).”.

3 **SEC. 6. STUDY OF AVAILABILITY OF SECONDARY MARKETS**  
4                   **FOR MORTGAGES ON CHILD CARE FACILI-**  
5                   **TIES.**

6       (a) STUDY.—The Secretary of the Treasury shall  
7       conduct a study of the secondary mortgage markets to de-  
8       termine—

9               (1) whether such a market exists for purchase  
10       of mortgages on new and rehabilitated child care fa-  
11       cilities and mortgages for acquisition and refi-  
12       nancing debt of existing child care facilities, includ-  
13       ing mortgages eligible for insurance under sections  
14       223(h) and 257 of the National Housing Act (as  
15       added by this Act);

16              (2) whether such a market would affect the  
17       availability of credit available for development of  
18       child care facilities, particularly facilities located in  
19       areas for which the President declared that a major  
20       disaster exists, in accordance with section 401 of the  
21       Robert T. Stafford Disaster Relief and Emergency  
22       Assistance Act (42 U.S.C. 5170), as a consequence  
23       of Hurricane Katrina or Rita of 2005, or would  
24       lower development costs of such facilities; and

1           (3) the extent to which such a market or other  
2 activities to provide credit enhancement for loans for  
3 child care facilities, particularly for facilities located  
4 in the areas referred to in paragraph (2), is needed  
5 to meet the demand for such facilities.

6           (b) REPORT.—Not later than 1 year after the date  
7 of enactment of this Act, the Secretary of the Treasury  
8 shall submit to Congress a report regarding the results  
9 of the study conducted under this section.

10 **SEC. 7. TECHNICAL AND FINANCIAL ASSISTANCE GRANTS.**

11           (a) DEFINITIONS.—In this section:

12           (1) CHILD CARE FACILITY.—The term “child  
13 care facility” has the meaning given that term in  
14 section 257(a) of the National Housing Act, as  
15 added by section 3 of this Act.

16           (2) ELIGIBLE INTERMEDIARY.—The term “eli-  
17 gible intermediary” means a intermediary organiza-  
18 tion that—

19                   (A) is described in section 501(c)(3) of the  
20 Internal Revenue Code of 1986;

21                   (B) is exempt from taxation under section  
22 501(a) of such Code; and

23                   (C) has demonstrated experience in—

24                           (i) financing the construction and ren-  
25 ovation of physical facilities;

1                   (ii) providing technical and financial  
2 assistance to child care providers or other  
3 similar entities;

4                   (iii) working with businesses (whether  
5 small or large); and

6                   (iv) securing private sources for cap-  
7 ital financing; and

8           (3) ELIGIBLE RECIPIENT.—The term “eligible  
9 recipient” means any—

10                   (A) existing or start-up center-based or  
11 home-based child care provider; and

12                   (B) organization in the process of estab-  
13 lishing a center-based or home-based child care  
14 program or otherwise seeking to provide child  
15 care services.

16           (4) EQUIPMENT.—The term “equipment” has  
17 the meaning given that term in section 257(a) of the  
18 National Housing Act, as added by section 3 of this  
19 Act.

20           (b) GRANT AUTHORITY.—The Secretary of Housing  
21 and Urban Development, in consultation with the Sec-  
22 retary of Health and Human Services, may award grants  
23 on a competitive basis in accordance with this section to  
24 eligible intermediaries for use in accordance with sub-  
25 sections (e) and (f).

1           (c) APPLICATIONS.—To be eligible to receive a grant  
2 under this section an eligible intermediary shall submit to  
3 the Secretary an application, in such form and containing  
4 such information as the Secretary may require.

5           (d) PRIORITY.— In awarding grants under this sec-  
6 tion the Secretary shall give a priority to applicants under  
7 subsection (c) that serve low-income or rural areas.

8           (e) USE OF FUNDS.—

9               (1) REVOLVING LOAN FUND.—Each eligible  
10 intermediary that receives a grant under this section  
11 shall deposit the grant amount into a child care re-  
12 volving loan fund established by the eligible inter-  
13 mediary.

14               (2) ELIGIBLE ASSISTANCE.—Subject to sub-  
15 section (f), from amounts deposited into the revolv-  
16 ing loan fund under paragraph (1), each eligible  
17 intermediary shall provide to eligible recipients—

18                   (A) financial assistance (in the form of  
19 loans, grants, investments, guarantees, interest  
20 subsidies, and other appropriate forms of assist-  
21 ance) for the construction of new child care fa-  
22 cilities located in an area for which the Presi-  
23 dent declared that a major disaster exists, in  
24 accordance with section 401 of the Robert T.  
25 Stafford Disaster Relief and Emergency Assist-

1           ance Act (42 U.S.C. 5170), as a consequence of  
2           Hurricane Katrina or Rita of 2005, for plan-  
3           ning of such child care facilities, and for acqui-  
4           sition or improvement of such child care facili-  
5           ties or equipment for such child care facilities;  
6           and

7                   (B) technical assistance in obtaining public  
8           or private financing for such construction, plan-  
9           ning, acquisition, and improvement of such  
10          child care facilities, including developing and  
11          implementing financing resources, options, and  
12          plans for such eligible recipients.

13          (3) LOAN REPAYMENTS AND INVESTMENT PRO-  
14          CEEDS.—Any amount received by an eligible inter-  
15          mediary from an eligible recipient in the form of  
16          loan principal repayment or investment proceeds  
17          shall be deposited into the child care revolving fund  
18          of the eligible intermediary for redistribution to  
19          other eligible recipients in accordance with this sec-  
20          tion.

21          (f) ALLOCATION OF FUNDS.—Of the amounts dis-  
22          tributed from the revolving loan fund of an eligible inter-  
23          mediary under subsection (e)(2) in each fiscal year—

24                   (1) not less than 50 percent shall be used for  
25          financial assistance pursuant to subparagraph (A) of

1 subsection (e)(2), except that the amount made  
2 available to any eligible recipient under this para-  
3 graph may not exceed 40 percent of the total costs  
4 incurred by that eligible recipient in connection with  
5 the construction, planning, acquisition, or improve-  
6 ment assisted; and

7 (2) the amount remaining after distribution  
8 under paragraph (1), shall be used to provide tech-  
9 nical assistance pursuant to subparagraph (B) of  
10 subsection (e)(2).

11 (g) DAVIS BACON ACT.—The Act of March 3, 1931  
12 (popularly known as the Davis-Bacon Act) shall apply to  
13 actions taken under this Act.

14 (h) AUTHORIZATION OF APPROPRIATIONS.—There is  
15 authorized to be appropriated to carry out this section  
16 \$1,000,000 for each of fiscal years 2006 through 2008.

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