

This serves as the Department of Health and Human Services (DHHS) and the Governor's Office for Emergency Relief and Recovery (GOFERR) response to Early Learning New Hampshire's (ELNH) questions regarding the Paycheck Protection Program (PPP), Economic Injury Disaster Loan (EIDL) and Families First Coronavirus Response Act (FFCRA), in reference to the Child Care Recovery and Stabilization Program (CCRSP), COVID-19 Child Care Assistance Supplemental Funds (CCCAS):

1. PPP and EIDL - Q.59 of the Treasury Department Coronavirus Relief Fund Frequently Asked Questions, updated October 19, 2020* clarifies that assistance to businesses must consider receipt of PPP loans and EIDL. The State must "assume" that the PPP loan will be forgiven. Q. 59 applies equally to PPP and EIDL. "In assessing the business' need for assistance, the recipient would need to take into account the business' receipt of the PPP or EIDL loan or grant." At a minimum, because programs got the EIDL in this period, it reduces their "need" for additional assistance now, even if they may have to pay it back later. What this means is that a child care provider must list this as income when completing the supplemental application.
2. If FFCRA tax credit reduces the recipients' normal operational expenses, then it would also reduce their business loss, so it should be considered as assistance. What this means for the completion of the supplemental application, is that the child care provider cannot count a loss for something covered by FFCRA. If increased expenses are due to FFCRA, above and beyond the normal operational expense, it can be covered with CARES ACT Funds, but the receipt of a tax credit must also be reported.

* The Guidance is available at <https://home.treasury.gov/system/files/136/Coronavirus-Relief-Fund-Guidance-for-State-Territorial-Local-and-Tribal-Governments.pdf>.

The Paycheck Protection Program (PPP) is a \$669-billion business loan program established by the 2020 US Federal government Coronavirus Aid, Relief, and Economic Security Act (CARES Act) to help certain businesses, self-employed workers, sole proprietors, certain nonprofit organizations, and tribal businesses continue paying their workers.

The Paycheck Protection Program allows entities to apply for low-interest private loans to pay for their payroll and certain other costs. The amount of a PPP loan is approximately equal to 2.5 times the applicant's average monthly payroll costs. The loan proceeds may be used to cover payroll costs, rent, interest, and utilities. The loan may be partially or fully forgiven if the business keeps its employee counts and employee wages stable. The program is implemented by the U.S. Small Business Administration. The deadline to apply for a PPP loan was initially June 30, 2020, and was later extended to August 8. (Wikipedia, 2020)

An EIDL is a loan of up to \$2 million (though the New York Times reported that the SBA is unofficially capping the amount at \$150,000 due to the high volume of applications it has received). With a maturity of up to 30 years, EIDLs are designed to help carry businesses through tough times caused by a disaster, such as the COVID-19 pandemic. These funds are intended to cover payroll and other operating expenses that the business could have otherwise met in a non-disaster economy. Funds cannot be used for

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refinancing, making loan payments on other federal debts, to repair physical damages, to pay IRS tax penalties or to pay out dividends.

Specific loan amounts depend on the amount of economic injury that a business has suffered. This amount is determined by the SBA on a case-by-case basis after a business applies. That said, the SBA announced in April that due to the surge of applications, it is limiting disbursements to \$15,000 for two months – and it is reportedly capping total loan amounts at \$150,000.

The interest rate on EIDLs is 3.75% for companies and 2.75% for nonprofits. Principal and interest payments of EIDLs are automatically deferred for one year, while the loan term can be for up to 30 years. Typically, EIDLs are available to businesses and private nonprofits.

Emergency EIDL Grants and Advances

Update: as noted earlier, the program for EIDL advances/grants is closed as of July 11. The SBA has given out all \$20 billion authorized for the program.

The interim bill included another \$10 billion for the SBA to provide businesses with quickly accessible advances of \$10,000. For businesses that use these funds to help pay for paid leave, payroll, COVID-19 related costs, the advance became a grant. These advances, when they were available, were limited to \$1,000 per employee, meaning you needed at least 10 employees to receive the full \$10,000 advance.

Emergency EIDL grants were available within three days of submitting an application to the SBA.

Grants can be used by small businesses for a number of purposes. These include providing paid sick leave, payroll, meeting production costs, paying rent or mortgages on business spaces and anything else to help with the continuity of the business.

In order to be eligible, companies had to have been in business by Jan. 31, 2020. These grants were available to all businesses and organizations that are eligible for EIDLs. (Smartasset, 2020)

The Families First Coronavirus Response Act (FFCRA; "The Act") was signed into law on March 18, 2020, and generally requires employers with less than 500 employees to provide a certain amount of paid sick and paid leave to employees affected by COVID-19, and provides affected employers with a corresponding employment tax credit. In addition, the FFCRA temporarily expands Family and Medical Leave Act (FMLA) requirements to offer protected leave related to the coronavirus. The Act contains three sections of particular interest for employers:

- Emergency Family and Medical Leave Act Expansion
- Emergency Paid Sick Leave
- Tax Credits for Paid Sick and Paid Family and Medical Leave

(Spark, 2020)

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Sources

Economic Injury Disaster Loans. (2020, August 20). Retrieved from <https://smartasset.com/financial-advisor/economic-injury-disaster-loans-eidl-s-coronavirus>

Families First Coronavirus Response Act. (2020, March 19). Retrieved from <https://www.adp.com/spark/articles/2020/08/families-first-coronavirus-response-act-ffcra.aspx>

Paycheck Protection Program. (2020, October 21). Retrieved from https://en.wikipedia.org/wiki/Paycheck_Protection_Program