

# UNDERSTANDING 2021 FEDERAL ASSISTANCE OPTIONS FOR CHILD CARE PROVIDERS AND CCR&R'S DURING COVID-19

This resource is meant to provide an overview of some of the federal responses to COVID-19. It is not meant to provide loan counseling. Please see details of these federal and state programs to ensure compliance and eligibility.

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## CCDBG Money for COVID-19 Response

In December, Congress provided \$10 billion in new CCDBG funds to states, territories, and tribes to help with the many child care challenges created by the current public health crisis.

States have significant flexibility in how they can use the COVID-19 emergency funding. For example, funds can be used to:

- Cover COVID-related expenses for child care providers, regardless of whether they serve children receiving subsidies
- Care for children of essential workers
- Costs associated with closing and reopening programs
- Costs associated with operating at reduced enrollment
- Reduce copays and tuition

States can now provide PPE to child care providers and get full reimbursement from FEMA. Work with your state to make sure they take advantage.

You can find an unofficial estimate of state and tribal CCDBG allocations [here](#). We expect official estimates and guidance from the Office of Child Care to be released soon.

Regularly check the OCC website for guidance and updates.

**We recommend CCR&Rs work closely with their states on the distribution of these funds.**

## Quick facts on types of assistance available to child care providers and CCR&Rs during the COVID-19 pandemic:

### Federal Paid Sick Leave and the FFCRA Tax Credit

- The 2020 Family First Coronavirus Response Act (FFCRA) requirement that businesses provide paid sick leave to employees for reasons related to COVID-19 ended December 31, 2020
- But the FFCRA business tax credit has been extended through September 30, 2021 to cover the cost of benefits paid to employees during that time for businesses that choose to pay for these benefits
- No changes were made to the qualifying reasons, the caps on the amount of pay employees can receive, or documentation requirements

### Paycheck Protection Program (PPP)

- For small businesses, nonprofits, self-employed individuals and sole proprietors while businesses are not operating normally during COVID-19
- Loan size 2.5 times monthly payroll for first time recipients and \$2 million for second time recipients
- Loan will be fully forgiven if spending meets program conditions including at least 60% spent on payroll
- Apply through an eligible bank or lender
- Prior PPP recipients are eligible for a second loan under additional conditions

### Unemployment Insurance (UI)

- New reasons for eligibility related to COVID-19
- Expansion of benefits
- New program for workers typically ineligible for UI
- Additional federal supplements

### Employee Retention Credit (ERC)

- For small businesses including nonprofits that fully or partially reduced business operations due to a government order or that had forced closures or quarantines and saw more than a 20% drop in gross receipts in a quarter compared to 2019
- Employers can claim a credit against 70% of qualified wages paid January 1, 2021 - June 30, 2021 (with a \$10,000 wages cap) so an employer can claim \$7,000 per quarter per employee
- "Wages" expanded to include health benefits
- 2020 and 2021 PPP loan recipients can still claim an ERC as long as the PPP loan that has been forgiven does not also cover the wages claimed for ERC

### Economic Injury Disaster Loans (EIDL)

- For small businesses, nonprofits and sole proprietors who experience loss in revenue because of COVID-19
- Must have suffered at least a 30% drop in income during any quarter of 2020 and operate in a low-income community that meets specific poverty levels
- The first \$10,000, called an "EIDL advance, is like a grant that does not have to be repaid but only prior recipients who received less than \$10,000 or prior applicants who were denied because of lack of program funds are eligible for the advance right now
- Apply online yourself with the SBA

# Small Business Loans During COVID-19

## Paycheck Protection Program: What to Know

In December 2020, Congress funded a new Paycheck Protection Program (PPP) to help small businesses during the COVID-19 pandemic. The new PPP is more flexible than the original and allows prior PPP loan recipients to apply for a second loan under certain conditions.

[First Draw loans](#) are for participants who have not received a PPP loan previously. [Second Draw loans](#) are for participants who already received a PPP loan. Eligibility and rules slightly vary. Most nonprofit and for-profit child care providers are eligible. Self-employed family child care providers are also potentially eligible.

CCR&Rs are eligible if they are a separate legal entity.

Types of eligible “businesses”:

- 501(c)(3) nonprofit organizations and small businesses with fewer than 500 employees
- Nonprofits and businesses that meet the [SBA industry size standard](#) if there are more than 500 employees
- Self-employed individuals, sole proprietors, independent contractors

Additional Eligibility Conditions for Second Draw loans:

- Business must have had at least a 25% decrease in gross revenue in one-quarter of 2020 compared to the same quarter in 2019
- Business must have spent all of the first PPP loan by the date of the disbursement of the second loan
- Maximum business size is 300 instead of 500 employees

Loans do not have to be repaid if after 24 weeks, all employees are kept on payroll, payroll comprises at least 60% of the loan, and the remainder is properly spent on expenditures such as rent, mortgage interest, utilities, covered operations expenditures (like child care management system software), covered supplier costs (like goods and perishable goods that are essential to operation), and covered worker protections (like PPE, sanitation supplies, and other operating and capital expenses needed to meet local, state, and federal COVID-19 safety guidelines).

## How to Apply for the Paycheck Protection Program

- Find an application for First Draw Loans [here](#).
- Find an application for Second Draw Loans [here](#).
- Apply through any bank, credit union or lender that is an existing SBA 7(a) lender.
- You can find approved lenders near you at this website.
- Download the application to see what forms you will need when you apply through your bank.
- If your bank is an eligible lender, check with them first because they may prioritize processing existing customers.
- Community Development Financial Institutions (CDFI) were granted additional funding to improve the processing of loans. So if you are having trouble finding a lender to work with you, check with a CDFI.
- You can find a your closest CDFI [here](#).

Be sure to consult an official SBA resource for important details: [Small Business Association for PPP webpage](#).

- If the program does not run out of money, loans applications will be accepted through May 31, 2021.
- There may not be enough money in the program for everyone who applies.
- There are no personal guarantee or collateral requirements.
- There is no application fee.
- Maximum loan amount: The lesser of 2.5 times monthly payroll or \$10 million for First Draw loans and \$2 million for Second Draw loans.
- Costs the loan can be used for: payroll costs including salary (max \$100,000/annual), wages, group health care, retirement contributions, paid sick/medical leave, rent, leases, utilities, mortgage interest payments, covered operations expenditures, covered supplier costs, and covered worker protections.
- If you use the loan in a way that means it will not be fully forgiven, payments will: be deferred for six months, have a 1% interest rate, and mature after five years.



### Economic Injury Disaster Loans: What to Know

In December 2020, Congress passed a new Economic Injury Disaster Loans (EIDL) program for small businesses and non profits in low income communities who have suffered a loss in revenue because of COVID-19. A maximum of \$10,000 does not need to be repaid.

- Eligible applicants can receive up to a cash advance that does not need to be repaid and may be available even if the loan application is not successful. This is called an EIDL “advance.”
- Currently, EIDL advance payments are only available to prior EIDL recipients who received less than \$10,000 or prior applicants who did not receive an advance because the program ran out of money.
- Advance and loan funds must be used for sick leave, payroll, increased costs, rent or mortgage payments or repaying obligations that cannot be met due to revenue losses because of COVID-19.
- You are eligible if you:
  - are a small business or nonprofit organization with less than 500 employees, as well as sole proprietorships, independent contractors, cooperatives and employee-owned; and

- operate in a [low-income community](#), which means an area with a poverty rate over 20% or where the state median income is less than 80%; and
- suffered at least a 30% loss in income due to COVID 19 when you compare onequarter in 2020 to the same quarter in 2019.
- The interest rate for EIDLs is 3.75% for small businesses and 2.75% for nonprofits.
- You can have both a PPP loan and an EIDL, as long as they are not used for the same expenses. The EIDL is likely to be granted more quickly than a PPP loan.
- **The application process is online directly with SBA. Find full details including the application [here](#).**

## Unemployment Assistance

In December 2020, Congress renewed multiple COVID-19 related unemployment assistance programs through March 14, 2021, with payments phased out by April 5, 2021. This includes supplements, extensions, and program for workers not usually covered by UI. Benefit amounts are based on previous earnings. To qualify, you must self-certify that you are able to work and available to work and that you are unemployed, partially employed or unable or unavailable to work due to a COVID-19 related situation. Specific rules vary by state.



### Current Unemployment Assistance Programs

Through September 6, 2021:

- **Pandemic Unemployment Assistance (PUA)** – This program provides benefits to selfemployed, part-time, and other types of workers not usually eligible for unemployment insurance with a new 50 week maximum.
- **Pandemic Emergency Unemployment Compensation (PEUC)** - This program extends unemployment insurance for an additional 11 weeks.

## Key Resources on the Unemployment Insurance Programs

To receive any of the unemployment insurance benefits, you need to file a claim with the unemployment insurance program in the state where you worked. Depending on the state, claims may be filed in person, by telephone or online.

- Start by contacting your [state's unemployment insurance program](#) as soon as possible after becoming unemployed.
- When you file a claim, you will be asked for certain information, such as addresses and dates of your former employment. Avoid delays, be sure to give complete and correct information.
- For more information on eligibility and how to apply, you can also start [here](#) with the Department of Labor's Unemployment Benefits Finder information webpage.
- For more information on how many weeks of unemployment compensation are allowed in your state, [check this chart](#).

States will apply the extra \$300/week federal benefit (FPUC) automatically if you are receiving UI or PUA.

## Employee Retention Credit

In December 2020, Congress passed enhancements to the Employee Retention Credit (ERC) related to COVID-19 for qualified wages paid between January 1, 2021 and June 30, 2021. The ERC is meant to help businesses retain their employees even when operations are affected by COVID-19. The new changes expand the credits, increase flexibility, and allow many more businesses to qualify.

Businesses and non-profits with less than 500 employees are eligible if within the first two quarters of 2021:

- A business was fully or partially suspended or reduced its operations due to a government order, or
- Businesses have seen more than 20% drop in gross receipts in the quarter compared to the same quarter in 2019 because of forced closures or quarantines.

Key details:

- The amount of the credit has been increased to 70% of qualified wages, which now includes the cost of continuing to provide health benefits.
- The credit cap has increased to \$10,000 per employee per quarter (because of the 70% rate, this means effectively \$7,000 per employee per quarter could be claimed).
- Advance payments will be allowed. Look to IRS for forth-coming guidance and application forms.
- An employer can take an ERC even if they received a PPP loan in 2020 or 2021 as long as the credit is not claimed for wages paid for by the loan.

Brief details are available [here](#). New guidance from the IRS is expected soon. Check [here](#).

## Federal Paid Leave and the FFCRA Tax Credit

Beginning January 1, 2021, businesses are no longer required to pay federal benefits to employees taking sick leave related to COVID-19. However, the Family First Coronavirus Response Act (FFCRA) tax credits have been extended through September 30, 2021 for businesses that voluntarily choose to provide sick leave related to COVID-19. Note that any existing state and local paid leave laws are not affected by Congressional action.

### Key facts:

- Businesses and non-profits with under 500 employees are eligible for the tax credit.
- All rules for claiming the tax credit remain the same in 2021 as in 2020.
- Qualifying reasons for covering paid leave include if the employee is unable to work because they: are subject to a federal, state, or local quarantine or isolation order; have been advised by a health care provider to self-quarantine; are experiencing COVID-19 symptoms and seeking a medical diagnosis; caring for an individual subject to quarantine; caring for a child whose school or place of care is unavailable.
- The amount of paid leave depends on the qualifying reason for the leave.

See the [Department of Labor FFCRA website](#) for details on eligibility and how to apply for the business tax credit.

### If You Are a Provider, Here's What You Can Do:

- Determine if the PPP loan and/or the EIDL would help your program. Remember the PPP loan is first-come, first-served.
- Connect with your Child Care Resource and Referral Agency (CCR&R) for information about your options and assistance. Here's how you can find [your local CCR&R](#).
- Help your employees navigate unemployment insurance options. See [here](#) to learn about program rules in your state.
- Contact Child Care Aware® of America (CCAoA): While we currently do not offer technical assistance directly to child care providers, if you are a child care provider looking for help, you can call our hotline at 1(800) 424-2246, Mon/Wed/Fri, 9:30 a.m. – 6 p.m. EST, Tues/Thurs 8 a.m. – 4 p.m. EST or use our [Live Chat](#).
- Find COVID-19 related updates from CCAoA [here](#).

### If You Are a CCR&R, Here's What You Can Do:

- Determine if the PPP loan and/or the EIDL would help your R&R. Remember the PPP loan is first-come, first-served.
- Build on relationships with business associations and nonprofit loan counselors. They can help providers navigate these loans.
- Find COVID-19 related updates from CCAoA [here](#).
- Get information to providers ASAP.
- Send communications to providers about the types of loans available, how to apply and what documents they need to apply.
- Identify banks in your area that are eligible 7a lenders and find out how they are prioritizing loans. Disseminate this information to providers.
- Collaborate with a local business association to conduct a webinar for providers.
- Develop resources for providers that help them learn about what types of assistance will be helpful to them.