Resources for Child Care Programs Impacted by COVID-19
Listen in through computer audio. Headset recommended.

Select Phone Call to see the number to call, Access Code and PIN

Type your questions or just say hello here.
Today’s Agenda

• Welcome and introductions
• Virginia’s response
• Available relief
• Unemployment
• Planning your decisions
• Q&A
• Closing
Jenna Conway
Chief School Readiness Officer
Current Situation in the Commonwealth

- As of 4/6/2020,
  - 62% of child centers are closed
  - 50% of religious exempt preschools are closed
  - 20% of family day homes are closed

Altogether, 2,414 child care programs are closed - a loss in capacity of 200,333

- Child care is allowed to be open and child care educators are essential personnel

- The Department of Social Services and Department of Education have produced a letter for the field that indicates that child care is essential and should be a priority for critical supplies (e.g., food, cleaning).

- Current priority areas:
  1. Ensuring there is enough emergency child care
  2. Determining how to use the $66 million in CARES Act Child Care funding to support the field
Jody Keenan
State Director, Virginia Small Business Development Centers
CARES Act:
Small Business Financial Assistance

✓ EIDL Loan and Advance
✓ Payroll Protection Program

www.sba.gov/funding-programs/disaster-assistance
VirginiaSBDC.org
## Loan Comparison

<table>
<thead>
<tr>
<th><strong>OVERVIEW</strong></th>
<th><strong>EIDL</strong></th>
<th><strong>EIDL ADVANCE</strong></th>
<th><strong>PPP</strong></th>
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</thead>
<tbody>
<tr>
<td><strong>Lender</strong></td>
<td>SBA</td>
<td>SBA</td>
<td>SBA 7(a) Approved Lender</td>
</tr>
<tr>
<td><strong>Max Loan Amount</strong></td>
<td>$2M</td>
<td>Advance of up to $10K</td>
<td>2.5x average monthly payroll costs at $100K/employee (max $10M total)</td>
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<tr>
<td><strong>Deadline to Apply</strong></td>
<td>Dec. 31, 2020</td>
<td>Dec. 31, 2020</td>
<td>June 30, 2020</td>
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</table>
| **Eligible Borrowers** | Businesses that meet the SBA size standards | These organizations with <500 employees: | • Businesses with <500 employees  
• Businesses in NAICS 72 with <500 employees per individual location  
• Private nonprofits incl. faith-based  
• 501(c)(19) veterans organizations |
| **Use of Proceeds** | • Payroll  
• Rent  
• Utilities  
• Interest on debt incurred  
• Accounts payable  
• Some bills that could have been paid had disaster not occurred | • Payroll  
• Rent  
• Utilities  
• Interest on debt incurred  
• Accounts payable  
• Some bills that could have been paid had disaster not occurred | • Payroll  
• Interest on mortgage (excl. principal or prepayments)  
• Rent  
• Utilities  
• Interest on debt incurred prior to Feb. 15, 2020 |
| **Collateral**     | None for loans up to $25K | N/A              | Waived                                                                 |
| **Personal Guarantee** | None for loans up to $200K | N/A              | Waived                                                                 |
| **Affiliation**    | Applicable | Waived          | Applicable                                                              |
| **No Credit Elsewhere** | Waived | Waived          | Waived                                                                 |
| **Forgivable**     | No       | Yes             | Yes, up to 100% (restrictions apply)                                   |
| **Interest**       | 3.75%    | N/A             | Up to 4% for non-forgiven portion. Currently fixed at 1%                 |
| **Term**           | Up to 30 years | N/A            | Up to 10 years for non-forgiven portion. Currently 2 years.              |
| **Prepayment Penalty** | None | N/A             | None                                                                   |

4/8/2020
## Tax Provisions in CARES Act

| Who is eligible? | Private employers, including non-profits, who operated in 2020 and:  
|                 | • Whose operations are partially/fully suspended as a result of orders from a governmental authority due to COVID-19 or  
|                 | • Experience a decline in gross receipts by more than 50% in a quarter compared to the same quarter in 2019 (eligibility ends when gross receipts in a quarter exceed 80% compared to the same 2019 quarter)  
|                 | 501(c) centers: "partially/fully suspended” applies to all operations |
| How much is the tax credit | 50% tax credit for the first $10,000 of compensation, including employer portion of health benefits, for each eligible employee.  
|                           | • Excludes paid sick/family leave reimbursed under the Families First Act  
|                           | • Credit only applies to wages paid March 12, 2020, to January 1, 2021 |
| Which employees count toward eligibility? | **100+ employees:** FT employees being paid but not providing service  
|                                                 | **<100 FT employees:** All employees, regardless if providing service  
|                                                 | Employers can’t:  
|                                                 | • Claim same employee for Work Opportunity Tax Credit for same period  
|                                                 | • Claim the same wages for employee under section 45S for FMLA |
| How is the credit paid? | • Refundable credit applied against the employer portion of payroll taxes  
|                           | • Treasury Dept to develop process for advance payment to employers |
| How does the payroll tax deferment work? | • Defer paying employer portion of certain payroll taxes through 2020  
|                                              | • 2020 deferred amounts due in 2 equal installments (ends of 2021, 2022)  
|                                              | Employers who receive PPP loan not eligible for deferral |
CARES Act: Managing Expectations

**EIDL Advance:**
- $10K amount is limited
- Longer than 3 days for deposit

**EIDL and PPP:** Now available for faith-based organizations

**PPP:**
- SBA-approved lenders have individual requirements
- Priority to existing business clients
- Work with experienced SBA 7a lenders
- Loan forgiveness 8-week period begins on date of loan origination

**Beware of scams:** No fees to apply for EIDL or PPP

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4/8/2020

*SBA typically processes $30B in loans/year... CARES Act is more than 10x that amount*

*Rules and requirements being released along the way*

*Lenders do not have all the requirements for PPP and may be delayed in launching*
COVID-19: Unemployment

Child Care Centers:

- **New Unemployment Rules:** Congress created a new program for individuals who are typically excluded from state unemployment programs.

- For example, the self-employed or those working in faith-based settings will be eligible under a new **Pandemic Unemployment Assistance program**.

- Full or partial benefits depend on your situation (e.g., as an employee- are you laid off/furloughed? Have your hours been reduced?)

- In addition, there’s a new temporary supplement to the regular unemployment payment of $600 weekly through July 31, 2020.

**Nonprofit employers:** Special rules for “self-funded” or “reimbursable arrangements” -- **NEW:** the federal government will pay 50%.

**Employers generally:** Will layoffs impact my experience rating (state tax rate)? **NEW:** States can waive their rules on experience ratings with no penalty.
COVID-19: Unemployment

Where do you apply? (In English or Spanish)

- **The Virginia Employment Commission** administers unemployment benefits. (Both the state & new federal program – like a one-stop shop). The goal is to make it easy!

- **The online system is a work in progress.** New rules will be up soon.

- **Best advice:** Visit the **Virginia Employment Commission** web site regularly to see if the new federal pandemic program is operating. State staff are working fast on it!

How much are benefits?

- Benefits are based on earnings. However, everyone who receives either state unemployment or the new federal unemployment assistance will receive the $600 weekly supplement (through July 31, 2020).
- Partial payments are possible based on income loss (e.g., your hours were reduced from 40 to 32; your income is down related to COVID-19).

**Unemployment can be paid:**

- Through debit cards
- Direct deposit
- Or, a check

**Unemployment is income. It’s taxable.**
- You may be able to opt to have taxes withheld.

**Note.** Undocumented individuals not eligible.
Strategic Planning
A COVID-19 Guide for Child Care Providers

Early Education Business Consultants

Lauren M. Small, MBA
Guide for Virginia Child Care

- Knowledge Guide
- Risk/Benefit Assessment
- Explore Financial Options

Available on www.earlyeducationbusiness.com
Tuition Strategies

- Capture revenue
- Ask families to pay/donate
- Communication honestly with families
- Show value by remote learning
- Case-by-case basis is OK
- Take subsidy & school age
Creative Financing

- Traditional Financing
- Donations
- Business Grants
- Home Equity Loans
- Retirement Accounts
- VSBFA Child care loan program
  - 0% interest rate, 6 months deferment
  - Application fees waived
  - Only used for tangible items
Manage Expenses

- Labor cost analysis
- Review all expenses
- Eliminate non-essentials
- Consider delayed payment options
- Negotiate with creditors
Cash Flow Projections

• Consider timing
• Project loan & grant injections
• Project tuition revenue
• Develop labor costs analysis tool
• Estimate expenses
• Identify your financial cash flow gaps
Next Steps

• Parents may seek temporary child care
• Consider offering less than full-time child care
• Care for school age children
• If you change your hours or reopen, contact your business liability insurance agent to make sure you’re still covered
• Prepare for summer & fall
• Innovate
• Add technology and automation
• Social media
Resources Website
www.EarlyEducationBusiness.com

- COVID-19 CDC links for schools
- Disaster Loans & Tax Programs
- Employer Law & Resources
- Webinars
QUESTIONS?
Gary Thomson
Thomson Consulting
Resources for For-Profit Child Care Center/Preschool Operators

- Virginia’s Small Business Development Centers: https://www.virginiasbdc.org/
- Letter Indicating Child Care is Essential: https://bit.ly/3aXHaTl