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PROMOTING QUALITY CHILD CARE

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Paycheck Protection Program

April 7, 2020

The economic stimulus legislation, Coronavirus Aid and Relief and Economic Security (CARES) Act, included the Paycheck Protection Program (PPP) to assist small businesses. The PPP enables small businesses and non-profits with less than 500 employees to take out loans to cover 8 weeks of expenses. The allowable expenses include payroll, rent, mortgage interest, and utilities expenditures. **Most importantly, these loans will be *forgiven* if the business retains employees and maintains salary levels during the 8 week period.**

How do you apply?

The Small Business Administration (SBA) administers this program through banks and credit unions. Contact your local lender and tell them you'd like to apply for PPP. A simple form must be completed, which verifies your average monthly payroll over the last 12 months and identifies the business. The Lender Application Form is attached to this email. A certified or preferred SBA lender will process your loan application most efficiently; however, all lenders will have access to this program, if they choose to participate.

How much money can you borrow?

The first step is to determine your average monthly payroll over the past 12 months. Average monthly payroll is computed by adding up wages and salaries plus benefits paid to employees and owners over the past 12 months. Wages and salaries include payments to employees, less any payroll taxes. Benefits include health insurance premiums, retirement contributions, and severance or leave pay.

The second step is to determine how much you can borrow. The business owner can borrow 2.5 times their average monthly payroll.

The third step is to take this information to your local lender. A list of all SBA certified or preferred lenders in Montana is on pages 28 through 33 of the SBA Resource Guide 3126

attached to this email. Lenders began processing loan applications on April 3, 2020. The Paycheck Protection Program will be available through June 30, 2020. Apply today!

Here's a simple example, let's say your child care business paid \$150,000 of salary and wages and \$50,000 of benefits in the last 12 months (or \$200,000 in total payroll-related expenditures). Divide \$200,000 by 12, which equals \$16,667. Multiply \$16,667 by 2.5 to determine how much you can borrow. In this case, you can borrow \$41,667.

How can you spend the loan proceeds?

You can use the proceeds of the loan to cover payroll, mortgage interest, rent, and utilities. However, you must spend at least 25% of the proceeds on payroll-related expenses over the 8 week period. The 8 week period begins on the day the loan is approved and funds have been disbursed to the business owner.

Most importantly, if you follow the rules of retaining your workforce and maintaining salary and wage levels, the entire loan will be forgiven.

Need Help?

If you have any questions, feel free to contact George Haynes, Extension Economist, Montana State University, Bozeman, MT – (406) 994-5012 or haynes@montana.edu.