

Paycheck Protection Program (PPP)

PROJECT SUMMARY

As of May 17, 2020



Introduction

In April 2020, the US government launched a novel program with the objective of mitigating the economic impact of the Coronavirus pandemic. The Paycheck Protection Program (PPP) would provide much-needed funding to small businesses (defined as those with 1 to 500 employees) through a forgivable loan mechanism. The program allowed small businesses to borrow up to 2.5 times their average payroll from the US government at a 1% interest rate. In the eight weeks after the loan was given, businesses could have their payroll and up to 25% of their rent, utilities, and mortgage interest forgiven (therefore coming off the balance of the loan). Any remaining debt could be repaid at any time without penalty.

The PPP application involved a streamlined application process, but still required a number of calculations that were in and of themselves complicated and further compounded by vague and often evolving guidance from the US Government. Further, applications were made through banks, which were able to have their own processes that varied in difficulty. None of the available forms or guidance were available in any language other than English.

The result was a program that could have great impact on small business dominated fields (such as early learning) but would require support for those lacking business acumen. The leadership of the Maher Foundation saw the potential of the PPP. They realized that the early learning system in Essex County, NJ could be weakened as providers went out of business, never to reopen. The result could be further reduction of access to quality care. The PPP provided an opportunity to leverage federal funds to keep these small businesses afloat and ready to serve children when the economy re-opens.

The Maher Foundation reached out to other funders in New Jersey and soon a partnership was formed with Maher supporting technical assistance in Essex County, NJ; the Henry and Marilyn Taub Foundation and the Nicholson Foundation supporting Passaic County, NJ; and the Burke Foundation investing in Mercer County, NJ. The Child Care Resource and Referral agencies in each county were engaged. Beverly Lynn (Programs for Parents of Essex County), Coleen Stevens Porcher (4CS of Passaic County), and Nancy Thomson (Child Care Connection of Mercer County) were all engaged early to support the design of the program, weigh in on communications, and support outreach to providers. The efforts of the CCR&Rs made the success of the program possible.

The entire Technical Assistance program was designed and deployed from April 5, 2020 to May 14, 2020. This rapid development and implementation was further impacted by the active spread of the Coronavirus (directly impacting providers and their families), community stay-at-home orders (making access to financial records difficult), and a shifting policy landscape. In

retrospect, there are a number of ways the program could have been streamlined or improved, but considering the circumstances, the process was effective.

Approach & Results

Technical assistance was provided in four ways — webinars, an online intake questionnaire, live consultation, and application support, each of which are expanded upon below.

Webinars

An overview was provided of the PPP and the application process (including the documentation needed for corporations as opposed to sole proprietors and the self-employed), key considerations for child care providers (e.g., unemployment and the impact on implementing the PPP), and the technical assistance process. Webinars were presented “live” and also recorded so they could be shared broadly. The slides were translated into Spanish thanks to the generosity of Advocates for Children of New Jersey and also, for Passaic County, they were simultaneously translated through a 4CS translator.

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“I applied for something. I’m not sure it was the PPP or something else. Let me read you what I have...”

ESSEX COUNTY FAMILY CHILD CARE PROVIDER ON A WEBINAR

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The webinars were attended by over 250 providers in the three counties, including those from both family and center child care enterprises. The webinars were developed and deployed to help providers not only understand the PPP at a high level, but also to dig into important details. The webinars also provided a forum to answer questions for those who wanted to apply, as well as for those who had already applied but had questions that their bank could not or was not answering.

Online Intake Questionnaire

Providers were asked to enter key data points about their enterprise to help prepare them for technical assistance by a consultant. The questionnaire made the data collection processes easier by parsing out each piece of information needed into a distinct number with simple instructions for finding the data. As a result, providers were able to begin their progress to application much more quickly. The questionnaire was translated into Spanish, offering another access point for providers.

“I understood what I needed to do now [from the questionnaire] and just applied. Thank you!”

ESSEX COUNTY FAMILY CHILD CARE PROVIDER

The questionnaire was so detailed that it offered a few providers enough clarity to apply on their own. However, for most, the questionnaire was not fully completed — a reflection of the complexities of the application process and how confusing it could be. Having at least *some* of the data enabled the Technical Assistance (TA) team to focus on the gaps, and they would then email or call providers to help them gather relevant information from their tax preparers, facilities, payroll systems, or paper files. Due to the variability of the providers’ business structures, models, and infrastructures, the follow-up emails and calls were crucial in guiding providers to find the relevant and acceptable data from what they had available.

Live Consultation

Using the data collected, a TA team member prepared the application and it was quality checked by a separate member of the team. Additional questions often arose about data during this process. For example, a payroll amount that was exactly \$100,000 — not a penny more or less — could be indicative of an estimation rather than the correct number, creating trouble if the provider was audited. Each question on data was noted for the live call. Additionally, clarification was also needed as to who was an employee (and therefore eligible to be included in the loan) versus contractors or those paid in cash.

During the call, TA team members reviewed the overall PPP process with providers. They then went through the application, confirming data points with providers. Finally, questions were answered and then a strategy was charted for the bank application process (including where to apply and what to expect). About half of the providers needed only one call. The other half needed two to five calls to help them collect data or help build their confidence about applying (such as answering additional questions the provider may have). In some cases, there were four to five calls with providers to reach the point where they applied.

“Can I go through the process again one more time? We talked about it and I have the email you sent. I just want to be sure.”

PASSAIC COUNTY FAMILY CHILD CARE PROVIDER

After the calls, all forms and backup calculations were emailed to the providers. Additionally, step by step instructions were provided in English and Spanish to help providers move from the call through the application. There were also multiple places

in the next-steps document and emails where the TA team’s contact information was provided to encourage providers to ask questions if needed.

Application Support

In roughly three out of every four cases, providers needed additional support with the bank application process. Providers’ questions ranged from those needed to assure confidence to ones where bank systems appeared not to be working or were asking questionable information. Support ranged from answering a quick question via email or text to using Zoom and FaceTime to guide providers through the on-line application in real-time. Often up to three or four contacts were needed to support providers’ applications.

Arguably, even considering the complexity of the SBA application, assistance with the bank process had the greatest impact for providers. Between the variation in processes, inconsistent and often changing data requirements, and need for additional forms and spreadsheets, the process was challenging for any applicant, especially for those with less business acumen.

“Can you tell me if this is from PayPal or it’s fake? I don’t want to sign until I know.”

PASSAIC COUNTY CENTER CHILD CARE PROVIDER

The TA team made themselves available at any hour, seven days a week (e.g., one call was on Sunday at 8:20 AM and another at 11:00 PM) to ensure that providers kept on track for submitting their applications. Additional questions were fielded as the banks began to approve loans (such as looking at the documentation to see if it appeared legitimate in light of the high number of scam emails and class action lawsuit documents received).

As of May 15, 2020, a total of 92 providers applied for and completed the Technical Assistance program. This included 49 providers in Essex County, 13 providers in Mercer County, and 30 providers in Passaic County (**TABLE 1**). Among these providers, 46% were child care centers and 54% were family child care providers.

TABLE 1 Providers that Completed TA as of May 15, 2020

	FAMILY CHILD CARE PROVIDERS	CHILD CARE CENTERS	TOTAL
Essex County	22	27	49
Passaic County	23	7	30
Mercer County	5	8	13
TOTAL	50	42	92

The total potential stimulus dollars generated by all providers that completed the Technical Assistance program was \$3,329,330. This total includes the potential maximum loan amounts of every provider who went through the program, regardless of whether or not they officially submitted their PPP loan application to a bank. The average potential loan amount for family child care providers was \$5,531 and the average loan amount for child care centers was \$72,685 (TABLE 2).

TABLE 2 Stimulus Potential for All Completed TA Cases as of May 15, 2020

	TOTAL DOLLARS	MEAN (ARITHMETIC AVERAGE)
Family Child Care Providers	\$276,567	\$5,531
Child Care Centers	\$3,052,763	\$72,685
TOTAL	\$3,329,330	—

As providers completed the Technical Assistance program, Civitas Strategies maintained contact with them to track if and when they submitted their PPP application to a bank and whether or not their loan was approved. By May 15, 2020, a total of 78 providers across all three counties had confirmed they submitted applications to the bank, amounting to a total of \$2,916,588 in loans. The average loan amount applied for among family child care providers was \$5,952 and \$70,488 for child care centers (TABLE 3).

TABLE 3 Stimulus Potential for All Completed TA Cases Who Submitted Bank Applications as of May 15, 2020

	TOTAL DOLLARS	MEAN (ARITHMETIC AVERAGE)
Family Child Care Providers	\$238,061	\$5,952
Child Care Centers	\$2,678,527	\$70,488
TOTAL	\$2,916,588	—

As of May 15, 2020, 39 of the 78 who are known to have submitted applications to banks have been approved for loan funds with more coming in every day. The approval rate of 50% of all known applicants from the TA is already higher than a national survey by Lending Tree that found only 5% of small businesses that applied received funds in the first round. Further, the total amount received, \$2,231,383 (as shown in TABLE 4), is a significant return on investment, providing a **return of \$23.35 in federal stimulus funds for every dollar invested** by private funders. This return is likely to continue to increase as additional loans clear.

Observations

The Technical Assistance team amassed a significant amount of experience in the short time they were working directly with early learning providers in New Jersey, and learned a great deal about their operations as well as their ability to pursue the PPP. Seven observations from the work emerged for the Technical Assistance team, which are detailed below.

Technical assistance was much needed and appreciated.

In every case, there was value in providing technical assistance. In the overwhelming majority of cases, providers needed help in: interpreting the requirements, identifying appropriate data for the application, completing the application, and understanding the bank process. For most cases, step-by-step support was needed to apply to banks, up to and including live video support. Further, this aid was needed for each bank that a provider applied to since the processes among institutions were so different.

“I can’t tell you how much I appreciate all of your help and support. I would be so lost without you. I have received NO help from anyone else. I really can’t thank you enough for your kindness.”

PASSAIC COUNTY CENTER CHILD CARE PROVIDER

TABLE 4 Stimulus Generated by Secured Loans as of May 15, 2020 by Provider Type and County

COUNTY	FAMILY CHILD CARE PROVIDERS		CHILD CARE CENTERS		TOTAL BY COUNTY	
	Number of Providers	Dollars	Number of Providers	Dollars	Number of Providers	Dollars
Essex	6	\$22,138	14	\$1,602,763	20	\$1,624,901
Mercer	3	\$10,970	4	\$192,668	7	\$203,638
Passaic	8	\$56,634	4	\$346,210	12	\$402,844
Total by Provider Type	17	\$89,742	22	\$2,141,641	39	\$2,231,383

Even among providers who believed they had grasped the application process, issues were found. In a number of instances, we were approached with questions by providers who had already applied — in 100% of these cases in which the provider shared their calculation, errors were found. When these issues were identified, we worked with the providers to create a new application that would be able to stand up to scrutiny which was used to apply through online banks. For example, one provider who approached the team to find other banks to which she could apply revealed that she included numbers in her loan calculation that were not allowable and then had “rounded up to \$90,000 since it was close enough.”

“Is there any way I can pay you? I could not have done this alone.”

ESSEX FAMILY CHILD CARE PROVIDER

The technical assistance, in short, not only afforded the opportunity for the providers to apply but also increased their chances of getting through the system without delay and, if funded, mitigated concerns in an audit.

The technical assistance also supported providers by providing much-needed information and self-confidence in applying. Despite multiple online offerings, there were still many providers who had not heard of the PPP program at the time the webinar was offered. On the webinars for Essex County, NJ, 66% of the 178 participating providers had not previously heard about the PPP. Ahead of the webinar in Passaic County, NJ, a registration survey found 49% of providers were unaware of the PPP (and these data were collected after the completion of the first round of PPP funding). Delivering this webinar in real-time Spanish translation in Passaic County likely further increased access based on the number of participants and views after recording.

“This was the best spent hour of the last few weeks! Thank you so much for organizing and allowing us to listen-and ask a ton of questions!!!!”

MERCER COUNTY CENTER CHILD CARE PROVIDER AFTER THE WEBINAR

The questionnaire developed by the Technical Assistance team also helped providers better understand the PPP and process by parsing out the required data and documents in ways that made the process more comprehensible and actionable. There were multiple cases where providers no longer needed TA after the questionnaire because the process gave them enough clarity to apply.

The value of information provided throughout the processes via the webinar, questionnaire, and during the TA sessions cannot be understated. It was suggested by one early learning leader that the TA team should focus on limiting access to information only to providers who were pre-determined as being suitable for the PPP. In practice, the opposite was found — with significant information, providers made well-reasoned decisions based on their needs.

There was a lack of business acumen and infrastructure across the board.

The overwhelming majority of consumers, for-profit or nonprofit, family care or center provider, had a lack of business acumen. Further, many lacked basic business structures such as accounting and payroll systems. Where there were systems, they were often managed by a bookkeeper or tax preparer engaged only at end of year who did not explain the resulting documents in any way. To be clear, the TA team did not have an expectation that the solopreneur would have up-to-date records in Quickbooks, but rather a “rightsized” system for their enterprise, like some sort of recordation (even on paper) of revenue and costs at the most basic level.

The impact was fourfold.

First, providers were often uncomfortable applying for the PPP since they didn’t understand the terms and data needed. To be clear, they were willing to learn and once they understood, quickly gained trust and confidence. For example, in multiple technical assistance calls, TA team members needed to include instruction on the fundamentals of accounting. It did not take long to review these concepts, and the providers quickly grasped them. As such, they were able to have greater insights into their financial data in business.

Second, there was a distinct difference in the understanding and ability for providers to assemble the data needed. The few centers (typically larger ones) that were using a payroll company often had specific PPP reports available to them where the payroll system automatically assembled the data. However, in most cases, the TA team had to describe data sources which had to be collected from different places (e.g., one may be on a phone, another on paper, and a third only with their tax preparer).

Third, though providers could get through the PPP process, the TA Team was concerned about the provider’s ability to thoughtfully manage their enterprises without basic profit and loss data overall, particularly at the per unit level. For example, there were a number of family care providers (as well as some smaller centers) who relied on the 1099K as the sole or primary source of revenue data for their operation. The 1099K is used by credit card and app payment companies to report large numbers of payments made using these vehicles. For many providers, Venmo and similar app payment systems are replacing private pay which used to be made in cash. While the banks accepted

the 1099K as evidence, it was never officially covered in the US Treasury or SBA guidance since there was no anticipation that some providers would rely largely on funds sent this way. Further, since the data are aggregated, it does not provide the provider with any sense of their per unit revenue to play against their costs.

Fourth, a number of providers, especially family care providers but also smaller centers, reported only taking money for themselves when there were funds “left over.” The result is that the providers could never count on specific revenue for themselves over the course of the year or even in a given month. Many reported holding out as long as possible to be sure they did not need to keep the money in the business. In short, many providers are flying blind with no sense of profitability (and the ability of these data to inform decisions) and creating an uncertain income for themselves and their families.

“I get what you mean now...I don’t know if I make a profit.”

PASSAIC COUNTY FAMILY CHILD CARE PROVIDER

The deck was stacked against the providers.

Throughout the technical assistance process, the providers and our team experienced what is now being widely reported — the PPP program afforded structural advantages to larger, better resourced applicants. The challenges started with the application forms themselves and the guidance for filling them out, both of which were only available in English. Some non-English speakers, once they had a translation of the guidelines through the technical assistance process, were able to quickly grasp the process and understand how to apply. Without the additional step of translation, they were understandably befuddled.

“My bank won’t call me back. I see the branch manager every day. Why won’t he call?”

ESSEX COUNTY FAMILY CHILD CARE PROVIDER

Further, the PPP relied on banks to vet and submit applications. The barriers provided by this approach were twofold. First, the banks each had their own process and requirements that could be even more confusing than the federal forms alone. Additionally, they asked for personal information such as Social Security numbers that caused concern among providers about their personal credit, even with assurances that the loan was guaranteed by the federal government. Second, for the most part we found the providers were not “under banked” but rather “large banked.” That is, it wasn’t typical that they were using small, local banks that were providing inadequate services, but

rather that they were relying on extremely large banks such as Bank of America, Wells Fargo, and JP Morgan Chase. These banks, in particular, openly favored larger, better resourced businesses in the first round of the PPP and were slow overall to engage in the process and support applicants. Additionally, opportunities intended to increase the likelihood that business owned by women and people of color will be funded through the program, such as the \$60 million set aside for community banks and the eight-hour time on April 29, 2020 when only banks with assets under one-billion dollars could apply, had little impact since the banks the providers were using did not fit this criteria.

Overall, the banks, particularly the large ones, stoked the fires of confusion for many providers by providing misleading or even incorrect information. For example, a number of banks implied that applicants could not use more than one bank. One provider even reported a large bank contact getting upset with them for having applied to other institutions as well as theirs, stating it was not allowed. This was untrue and, if that guidance was followed, would decrease the chances of approval.

It was the applications to other banks that mitigated the “bank barriers” to some extent. Specially, online financial technology companies (FinTechs) such as PayPal, Fundera, Funding Circle, and Kabbage offered easier processes and faster results to anyone (not only account holders). They often had streamlined requirements and easier forms. Many used multiple banks; for example, Fundera would forward applicants to their own bank and also other banks, including community banks, which could tap into the \$60 billion set aside. Further, these institutions often offered much faster routes to completion.

Business structures are a system-level threat.

Most early learning systems work focuses, very appropriately, on maximizing revenue and decreasing costs to providers. In working closely with providers, we observed structural weaknesses in their businesses that often limited their ability to apply for the PPP, determined the amount of funds that they could get, and, for the long term, could lead to issues that would put them out of business. This observation typically played out in two ways. First, though there were more family providers than were expected based on past experience, there were still too few getting the extra protections offered by a corporate structure. Further, even those with corporate structures were not typically set up to maximize the tax benefits of a corporation and reduced the potential revenue benefits of business ownership. Second, there were many, many cases of questionable tax counsel or even malpractice observed. For example, one provider reported exactly \$0 in profit for multiple years running. Another’s accountant approved thousands of dollars in phone charges for her small family care enterprise.

Some providers did report using “employees” paid in cash and not reported to the government. In these cases, providers were surprised that these employees could not count toward the PPP

(i.e., there was a sense of it being “routine”). The implications in terms of liabilities for employers and lack of options for unreported employees abound.

Even more prevalent was the inappropriate use of contractors (often called “1099 employees” by providers). It was unclear why the practice was so prevalent — employers were surprised that contractors reported via a 1099 were not employees (i.e., there seemed to be no typical rationale for the practice, such as tax liability mitigation or the association with substitute or occasional staff). To be clear, this was prevalent among family care providers, but was also found in a number of centers.

While the practice of using contractors appears to have been in place for years, states, including New Jersey, are increasingly cracking down on this practice to gain tax revenue. The impact of these tax strategies, if found out, can be crushing to organizations and individuals. Currently, the penalty if you unwittingly misclassified an employee is (going back to the employee’s date of hire):

- A \$50 fee for each W-2 that was not filed;
- 1.5% of the employee’s wages, plus interest;
- 40% of the employee’s FICA (Social Security and Medicare) contributions; and
- 100% of the employer’s matching FICA contributions.

If there was an intentional decision to misclassify, the penalties are more severe:

- 20% of all employee wages paid;
- 100% of FICA contributions for both employee and employer;
- Up to \$1,000 in criminal penalties per misclassified employee; and
- Up to 1 year in prison.

Further, these structures in normal times hamper the contractors’ ability to access resources such as unemployment, creating additional problems for providers and families within the geography.

“But why doesn’t she count? She is my 1099 employee. She is an employee.”

ESSEX COUNTY FAMILY CHILD CARE PROVIDER

To be clear, the structure challenge was not just limited to for-profit providers. Early learning providers that were nonprofits also face challenges in this area, including the use of 1099s. In one case, it was not even clear if they were a separate corporation from the church that housed them. In the latter case, it was revealed that the provider was not a separate corporation though they had acted as if they were a separate nonprofit for years. The regulatory implications of that particular case are significant.

Building trust was crucial to success.

Unsurprisingly, many of the providers were cautious about trusting technical assistance providers who they have never met and were not local. This was compounded by the fact that the overwhelming majority of providers were uncomfortable talking about their finances because of their lack of business acumen along with an insecurity about not being a “real business.” Trust needed to be built across the board, but particularly with smaller providers and sole proprietors.

“I feel like you are part of the family here with us.”

ESSEX COUNTY CENTER CHILD CARE PROVIDER

Three approaches seem to have the greatest impact on building trust with providers rapidly. First, providing additional information by answering as many questions as the providers had about the PPP helped them to feel comfortable. Ensuring that providers understood the process and were not just activating at the request of the child care resource, referral agency, or the TA team was another important component of helping them feel comfortable. Second, and closely related, was actively listening to the providers’ concerns and worries, even when they extended beyond the PPP itself (rather than adhering to a rigid protocol). The TA team heard not only about child care businesses, but family members, health concerns, and worries about the larger economy. Listening actively to providers’ concerns built trust since they were heard and appreciated. Third, was ensuring that a swift, personal response to their questions was provided along with a willingness to answer as many questions as they had throughout the application process. The responsiveness of the team extended to all hours of the day and night. The result was not only access to help, but a clear recognition by providers that the TA team was concerned about their success.

“I can’t believe you keep answering the phone. You’re the only person who gets my frustration.”

MERCER COUNTY CENTER CHILD CARE PROVIDER

Spanish language access was much needed.

Of all the providers served, about 30% needed consultation and materials in Spanish. Some providers did muster their own translators (typically family members), but the preference was to talk directly to the consultant. As mentioned previously, the official US SBA form was not available in Spanish, and none of the banks processes were translated either. Further, a lack of guidance on the part of the US Treasury and SBA about whether resident aliens could apply caused confusion for some Spanish-speaking providers and, in one case, a rejection.

“Hola corazón. Mil gracias, eres muy amable.
Espero que la lista del banco llegue pronto
porque esto nos está volviendo locos ya.
Mil gracias.”

PASSAIC COUNTY FAMILY CHILD CARE PROVIDER

Spanish language support was added over the first week of technical assistance, starting with a Spanish language questionnaire, a Spanish language webinar with translation of the slides, and ultimately, the addition of a Spanish-speaking consultant to the team. In retrospect, the program should have launched Spanish language support earlier, more aggressively, and had more than one consultant providing this support to increase the velocity of cases moving through the pipeline.

Providers are running low on funds and many, particularly centers, may go out of business.

Overall, providers made it clear that they are being hit hard by the economic shutdown. Even with funds for emergency care and continued subsidy payments, the overwhelming majority had laid off staff and were deeply concerned about when they would re-open and how. Even providers who were operating with emergency care funds and continued subsidy payments (arguably the strongest revenue scenario we saw) were struggling to pay their current costs. Almost every one reported having incurred higher overhead costs at the startup of emergency care, and on a continuing basis, to ensure they could operate safely.

Generally, center providers expressed higher levels of anxiety about continued operations. Even with lower costs from layoffs and continued subsidy revenue, they were worried about the continued payment of facility costs (primarily rent and utilities) and if they would be able to remain solvent until the re-opening of the economy. Further, center directors tended to report less ongoing interaction with employees.

In contrast, family care providers generally expressed less anxiety. They reported having much more cost-efficient business models with much lower facility and personnel costs

(the latter because of the frequent use of contractors, which is addressed later in the document). Accordingly, subsidy care was providing a substantial revenue source. Further, most reported being in frequent contact with their contractors in eager anticipation of re-engaging them. Family care providers who were struggling were examining unemployment payments as an option to see them through to an economic recovery. However, all of those considering unemployment were finding it extremely difficult to apply.

Separate from this initiative, one of the TA team members, Gary Romano, facilitated a discussion among providers in Morris County, NJ on making business decisions during the pandemic. Multiple participants who had been family providers and later opened centers expressed that they were now exploring the opposite — closing their centers and re-opening their family care, as this business model can more easily accommodate the lower teacher-to-student ratios and variable schedules that may be imposed in a recovery (such as half-day schedules). As of the time of that call (May 7, 2020) regulatory requirements were hampering the timely change of business models.

“I would go on unemployment, but I can never
get though when I call. It’s been weeks. I need
this program [the PPP] to get by.”

ESSEX COUNTY FAMILY CHILD CARE PROVIDER

Recommendations

As the second round of PPP funding is running out, Congress is not talking about additional funds in the near-term (like they did for the first round), but instead a pause to assess the impact of the current investments until late May or early June 2020. Elected officials at the national level have indicated there will likely be another form of stimulus for small businesses based on the PPP but also inherently different — at this time there is no further detail as to what this means.

To guide future efforts at capturing stimulus funding as well as strengthening systems, three recommendations emerge from the Technical Assistance team based on their experiences in Essex, Passaic, and Mercer Counties.

Stay engaged in the small business stimulus conversation.

The PPP emerged extremely quickly as compared to “typical” federal policies. The next small business stimulus program will likely also come down just as fast. Based on current reporting

and the support for the PPP, it is likely that additional stimulus, also focused on some of the smallest of small businesses, will be released in late May 2020.

As was found overall in both rounds of the PPP, the organizations that were most prepared for the launch were the first at the table for funding. This is likely to hold true in the future as well, so early learning providers will need support to understand and navigate the process. The sooner the support could be designed and delivered, the more likely early learning providers will be able to partake in future programs.

It should also be noted that there are already a few other programs that may benefit a subset of providers (for example the Employee Retention Credit). These programs could be shared in more detail so providers can assess their utility and understand how to apply. Currently, the leadership of 4CS is looking to present these opportunities — this could be amplified to the other counties as well.

Provide support for loan forgiveness.

At this time, the TA team is still trying to determine how many providers received funds. The US Treasury and SBA have missed an April 26, 2020 deadline to provide clear guidance. What is known indicates it is likely to be another complicated process, stacked against small firms.

National data are still being collected, but one survey of participants in Goldman Sachs' prestigious 10,000 Small Business program can be illustrative. Of the respondents, 91% applied for the first round of the PPP, 52% received loan approval, and only 29% received funding. The study by LendingTree of a broader set of small businesses found that only 5% of applicants received funding. Clearly these data reflect the complexities of the application process. Similar challenges are likely in the forgiveness process (such as byzantine guidance only available in English). Further complicating potential forgiveness, the US SBA is still providing new guidance on the "rules" for forgiveness as of the writing of this document, and more is anticipated.

Worst of all, forgiveness is likely to run through the banks who have been less than supportive of their customers' best interest. Most of the banks have entered the PPP process for one of three reasons: 1) to please larger customers, 2) to capture the 5% loan origination fee from the US Government, or 3) to re-sell the loans in the future to the US Federal Reserve (who is actively buying them to create a market) or private firms. The providers in Essex, Passaic, and Mercer Counties are not large customers that need to be pleased. There is also no incentive for banks to be generous with forgiveness when they have already reaped their origination fee and will gain more money from re-selling a larger loan.

"You can't leave these women hanging. You need to help them get the forgiveness too."

ESSEX COUNTY FAMILY CHILD CARE PROVIDER

What is currently known about the forgiveness process is that clear record-keeping will be needed. This topic was broached with providers before they even applied. Those with financial management systems were reminded to pay strict attention to their update to ensure they are aligned with what will be reported to the US Government in their 2020 taxes. For those without them, it was recommended that providers record payments and expenses and even write checks to themselves to have a physical record of the transaction. However, this was not a deep session about how to keep records updated, nor was support continued through the eight-week period to ensure they are kept up.

An additional concern is the use of the funding. The statute enacting the PPP is quite clear that funds, even loan funds, can only be used for payroll, rent, utilities, and mortgage interest. In a number of cases, providers asked if remaining loan funds could be used for existing business or consumer debt; cleaning supplies purchased in March, April, and May 2020; 1099 "employees;" and other non-allowable expenses. The TA team was clear with providers about the limitation of the funds, but further education and reinforcement may help improve the chances of providers' compliance with the statute.

Accordingly, technical assistance to help providers, whether they receive their funds through this program or otherwise, should be considered to ensure that the providers maximize the benefit of the forgiveness. This technical assistance should likely start soon by helping providers understand the kinds of data and costs they should be tracking, and then helping them complete the forms for forgiveness.

This technical assistance could be provided in three ways (together or exclusively) in English and Spanish. First, information could be provided via webinar at the start of the forgiveness process (to set expectations), at the mid-point to reinforce practices and prepare for reporting, and at the conclusion to provide guidance on reporting to banks. Second, videos and/or step-by-step guides could augment webinars by providing clear practices that will enable providers to ensure they have the records needed for forgiveness so they can complete the paperwork. Third, hands-on technical assistance could be provided overall or to a limited subset using strategic criteria (such as the level of subsidized care, the criticality for certain neighborhoods, or the early learning system overall).

The early learning providers interacted with during this program could certainly benefit from more typical business professional development and coaching than is provided to the early learning

field — increase business acumen, support the assessment and transition to more sustainable business structures, and create stronger infrastructure — to better understand how they can maximize their profitability through increased revenue and decreased costs.

It was clear they need so much more. First and foremost, an understanding of the basic elements of a business structure and their financials is crucial. Many of the providers had an interest in learning more and they could easily grasp the content when offered. However, they don't currently know where to find learning opportunities or they lack the trust to engage in them. As a result, they usually rely on their once-a-year interaction with a tax preparer or accountant as the only review of their enterprise, and even in these cases the interaction is typically limited to the direction of "sign here." Without a rudimentary understanding of concepts like profit and loss, it will be hard for them to find a path to a sustainable business (never mind growth).

"I never learned about profit...I just always took out whatever money was left."

PASSAIC COUNTY FAMILY CHILD CARE PROVIDER

A business "training" program doesn't need to be an extensive, long effort, but it will need to be reinforced over time to build understanding and trust (for example, through a training followed by periodic check-ins and "booster" sessions). It would also likely need to be coupled with "as needed" support to answer provider questions on any subject related to their business (rather than focusing narrowly on the supply of slots for example).

Second, they need an assessment of business structure and how it can be refined to best protect the organizational owner or governing board as well as maximize overall profitability through the mitigation of tax liabilities and other costs. With an understanding of the basics of business management, providers could learn how to structure their business to decrease liabilities and increase profitability. Though more family care providers were incorporated than the TA team anticipated, there are still too many that are not incorporated. Further, among incorporated enterprises (both family and child care centers) there were other structures that are increasing risk and decreasing profitability, such as the "1099 employee" and not paying the owner as an employee.

Third, with a better understanding of basic business principles, more providers would adopt a stronger infrastructure (since they would understand the benefit). Even basic payroll providers could help decrease liabilities for providers and

increase profitability. There are currently initiatives to have shared "back office" services which could be quickly linked to providers' needs.

Fourth, early learning advocacy efforts may want to link providers with cross-industry advocacy efforts where there are shared benefits. For example, one of the TA team members, Gary Romano, was asked to speak to providers in Morris County, NJ about making key business decisions during the pandemic. During the discussion, many center providers had not heard of efforts by the restaurant industry to increase PPP forgiveness for rent, utilities, and mortgage interest. This is also a key issue for many centers, and the providers expressed interest in advocating in common cause.

Conclusion

While the legacy of the PPP Technical Assistance effort is still emerging, there is a clear, demonstrated impact in providing access to potential federal stimulus funds for providers in Essex, Passaic, and Mercer Counties. It is clear that without this investment by the four private funders, the majority of these providers would never have applied to the PPP, or would likely have been rejected due to incorrect or incomplete information.

The TA effort not only provided services to providers, but also afforded the TA team an opportunity to get a tactical view of the business and financial operations of family and center child care providers. This experience led to a number of observations about the providers' current states and to opportunities for further advancement of the providers and the early learning system through continued surveillance of stimulus opportunities, provision of support for PPP forgiveness applications, and increased business acumen and infrastructure.

The Technical Assistance Team

Gary Romano

Gary Romano is an award-winning strategist and experienced adviser for nonprofit leaders and entrepreneurs, driven by the vision that no child will grow up in poverty. In 2009, Gary founded Civitas Strategies to provide mission-driven organizations with the high-quality, cost-effective consulting services needed to improve outcomes for families and children.



Gary personally oversees the design and execution of every engagement. He also leads Civitas Strategies innovation projects, including the three hallmarks of our work: Lean Recruitment, Finding Your North Star, and Luminary Evaluation Group, Civitas Strategies' program evaluation spin-off. Gary designed and led the Our City project, a civic planning and engagement effort in a rapidly growing and changing city north of Boston. This project received the 2014 Kenneth E. Pickard Municipal Innovation Award from the Massachusetts Municipal Association as the most innovative approach in the state. Gary continually strives to increase the impact of mission-driven organizations' work, without increasing their costs.

Gary is a frequent speaker on the topics of nonprofit strategy, talent recruitment, and program evaluation. He is the author of two books, *Small But Mighty*, on creating and growing nonprofit consultancies, and *Lean Recruitment*, which shares Civitas Strategies' research-driven approach to recruitment.

Prior to founding Civitas Strategies and Luminary Evaluation Group, Gary was a Senior Consultant at the global collective impact consultancy, DCA, Inc.; engaged in government relations and planning for science and engineering firms Battelle and Shaw E&I; and founded a resource development consultancy and two nonprofit organizations.

Gary holds a bachelor's degree in Political Science from Stony Brook University and a master's degree in Urban Affairs and Planning with a concentration in Nonprofit and Government Financial Management from Virginia Tech. He is also a Senior Certified Professional with the Society for Human Resources Managers.

Gary spends his spare time studying and writing on classical history and numismatics and spending time with his two incredible boys, who teach him more about being a better human being every day.

Alison LaRocca

Alison LaRocca is a Senior Advisor at Civitas Strategies and Managing Director for the firm's spin-off program evaluation firm, Luminary Evaluation Group. Alison, who joined the firm in 2011, advises on the design of most organizational engagements, leads select strategic planning projects, and coaches C-level leaders to increase their effectiveness. She also excels at helping organizations to codify their innovations, creating products that make replication and model scaling possible.



Alison has been instrumental in the development of Civitas Strategies' most successful innovations and co-authored the book *Lean Recruitment* with Gary, which has sold in over 20 countries. Alison received the Kenneth E. Pickard Municipal Innovation Award from the Massachusetts Municipal Association in 2014.

In 2017, Alison led the effort to spin off Civitas Strategies' rapidly growing evaluation services division into a new firm, Luminary Evaluation Group, which provides high-quality, high-impact, affordable program evaluation for organizations of all sizes. As the firm's Managing Director, Alison heads all of Luminary's engagements.

Prior to joining Civitas Strategies, Alison was a front-line educator at the Community Day Charter School in Lawrence, MA. She has also consulted with multiple schools on using performance data to improve student progress and crafting new, cost-effective learning tools and techniques that continue to be used today.

Alison holds a bachelor's degree from Williams College, where she also received the Hubbard A. Hutchinson fellowship in dance. She also holds a master's degree in Elementary Education from Merrimack College.

Alison enjoys the cultural surroundings of her native Berkshires in Western Massachusetts and is a board member of the Albany Berkshire Ballet. She is the mother of two beautiful children and enjoys spending time with her family among the natural beauty of the local landscape.

Gregory Nielsen

Gregory Nielsen is President and CEO of Nielsen Training & Consulting, LLC. He is an experienced nonprofit CEO and consultant committed to helping leaders and organizations excel. Gregory has earned the prestigious BoardSource Certificate in Nonprofit Board Consulting. He is also a frequent public speaker on nonprofit leadership and governance.



Gregory previously served as CEO of the Center of Nonprofit Excellence (CNPE), expanding the reach of the organization to serve more than 500 nonprofit organizations through consulting and professional development. During this time, Gregory also helped launch Destination: Excellence, a 6-month leadership development program for nonprofit executives and Circles of Excellence, a peer-to-peer learning program for nonprofit leaders. The growth and accomplishments of CNPE under his leadership were recognized locally and nationally, and the organization was honored with awards from the Better Business Bureau for Ethics and the Louisville Urban League for championing diversity.

Gregory joined CNPE with more than a decade of experience in the public, private, and nonprofit sectors. Prior to joining CNPE, he was the Executive Director for Green Hill Therapy, a nonprofit specializing in rehabilitative care for children with special needs and a Vice President with Bank of America.

Gregory is a military veteran, having previously served as an officer and attorney in the United States Army Judge Advocate General's Corps. He holds a Bachelor of Arts Degree in Government and International Relations from the University of Notre Dame and a Juris Doctorate from Notre Dame Law School.

In 2016, Gregory was named a "40 Under 40" honoree by Louisville Business First publication.

Nayibe Capellan

Ms. Nayibe Capellan most recently joined Project Ready as the Chief of Staff. In this role, she serves as a staunch advocate for education and social justice. She previously served as Special Assistant for Newark Public Schools (NPS), Office of Early Childhood. Some of her accomplishments include increasing preschool enrollment by 10% and serving on the team that aided in securing \$7 million in Head Start grant funding for Newark Public Schools. Prior to joining the Newark Public Schools, she served as the Assistant Director and Adjunct Professor for Public Policy at Saint Peter's University. With over 15 years of professional experience, she has also held various roles in the private and non-profit sectors which include



serving as a Family Worker, Family Worker Coordinator, Trainer, Probation Officer, Early Childhood Specialist and Assistant Director of a preschool program.

Her educational accomplishments include a Bachelor's Degree in Psychology with a minor in African-American Studies from Montclair State University, a Master's Degree in Administrative Science with a Certificate in Non-Profit Organizational Development from Fairleigh Dickinson University, and a Master's Degree in Education with a concentration in School Counseling from Saint Peter's University.

Kelly Turner

Kelly Turner is a Civitas Strategies Consultant who provides crucial support for projects including writing, conducting research, and ensuring all our work stays on track. An accomplished grant writer, Kelly also leads the development of fund requests by clients.

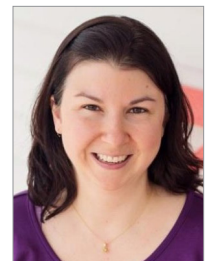


Prior to joining Civitas Strategies, Kelly was a professional dancer and educator with the Alabama Ballet. During this time, she enjoyed coordinating and leading various outreach programs for under-resourced youth with curriculum reaching thousands of students throughout the state. After retiring from dance, she was able to continue her passion of bringing the arts to children through development and arts education work at the Albany Berkshire Ballet. Kelly enjoys continuing to make a difference through her work at Civitas Strategies by providing support to organizations that serve vulnerable families and children on a national scale.

Kelly holds her Bachelor of Liberal Arts degree with concentrations in psychology and legal studies from the University of Massachusetts Lowell. Kelly loves acquiring new skills and information and as such, she is an avid "do-it-yourselfer." She holds a diploma in the Culinary Arts from Virginia College and enjoys creating recipes for her online food blog. She spends as much time as possible outdoors, especially hiking with her husband and two young boys throughout Western Massachusetts.

Erin Murphy

Erin Murphy is a Consulting Associate with Civitas Strategies, leading all product design efforts. Erin's superpower is making the team's analyses and client reports even more accessible through the use of highly effective, user-friendly structure and design. Her comprehensive understanding of copywriting, copy-editing, and design skills are showcased in numerous complex projects for a range of clients in all sectors. Erin holds a Bachelor of Fine Arts in Communication Design from the Massachusetts College of Art and Design.





civstrat.com
info@civstrat.com
(617) 858-0006



nielsenconsults.com
gregory@nielsenconsults.com
(502) 472-5367