

COVID-19 Economic Relief for Child Care Providers, Families and Individuals



In addition to the proven benefits to a child's healthy development, quality child care is an essential pillar of America's labor market and economy, allowing millions of parents to go to work or attend school each day. Under normal circumstances, child care providers already operate on razor-thin margins. The global COVID-19 crisis has hit the child care industry especially hard, causing widespread layoffs as a result of catastrophic drops in enrollment and mandatory closures. Extended closures during this time could put a substantial percentage of providers out of business permanently, exacerbating the prevalence of child care deserts and causing ripple effects throughout the economy. At the same time, many child care facilities are being asked to remain open, operating on only a fraction of their income, in order to provide care for children of essential workers in this time of incredible need and uncertainty.

As part of the relief provided to America's families, small businesses, and major industries as they struggle with the effects of COVID-19, federal stimulus efforts thus far have recognized the unique position of child care and have included assistance to young children, their families, and child care providers. Congress has passed four legislative packages in response to COVID-19, the focus of this document is on the largest package, "Phase 3" known as the CARES Act. Specifically, this document pulls out provisions aimed at supporting young children, their families, and child care providers. As Congress considers additional steps to ensure America's economic recovery, lawmakers must continue to include robust support for the child care industry that makes it possible for millions of parents to go to work each day.



Phase 1 - [Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020](#)

This \$8.3 billion legislation included \$20 million in additional Small Business Administration (SBA) Disaster Loans. Additionally, this legislation provided immediate funding for the domestic and global response to COVID-19.



Phase 2 - [Families First Coronavirus Response Act](#)

The Families First Coronavirus Response Act requires employers with fewer than 500 employees to provide paid sick and family leave related to coronavirus. In return, employers and self-employed individuals are eligible for a refundable tax credit to offset the costs of such leave. The Act also expanded unemployment benefits and food assistance, including increased funding for the Special Supplemental Nutrition Program for Women, Infants, and Children program and offered greater flexibility for distributing food under the Child and Adult Care Food Program.



Phase 3 - [Coronavirus Aid, Relief, and Economic Security Act \(CARES Act\)](#)

A \$2.2 trillion economic stimulus bill that passed with near unanimous, bipartisan support in the House and Senate and was signed into law on March 27, 2020. The CARES Act is the primary focus of this resource.



Phase 3.5 - [Paycheck Protection Program and Health Care Enhancement Act](#)

Following CARES, the Paycheck Protection Program and Health Care Enhancement Act changes some parts of the Paycheck Protection Program (PPP) and also provides additional needed funding for the PPP, emergency disaster grants, and the health care sector while leaving much of the CARES Act unchanged. This bill was signed into law on April 24, 2020. Relevant provisions that do effect the CARES Act are included in this resource.

Coronavirus Aid, Relief, and Economic Security Act (CARES Act)

PROGRAMS ASSISTING YOUNG CHILDREN AND THEIR FAMILIES

Increased Appropriations

Division B, Title VIII. Child Care and Development Block Grant (\$3.5 billion). These additional funds may be used to support providers due to decreased enrollment, to continue to pay staff salaries, and to provide child care assistance to essential workers, including health care sector employees, emergency responders, sanitation workers, and others during the response to the coronavirus without regard to the income eligibility requirement.

Sec. 19001, 19004. Support for Government Employee Child Care Centers. Unspecified funding for Senate Employees Child Care Center, House Child Care Center, GAO Child Care Center. \$700,000 for reimbursement costs for the staff of the Library of Congress' Child Care Center.

Title II. Economic Development Administration (EDA) (\$1.5 billion). Directs funds for economic adjustment assistance to help revitalize local communities after the pandemic. EDA assistance can be used to help rebuild impacted industries and capitalize local funds to provide low-interest loans to businesses of all sizes.

Division B, Title VIII. Head Start (\$750 million). Helps Head Start programs respond to the needs of children and families related to COVID-19, with up to \$500 million allowed to be used to operate supplemental summer programs through existing grantees.

Division B, Title VIII. Family Violence Prevention Services (\$45 million). Supports families during this uncertain time, and prevents and responds to family and domestic violence, including offering shelter and supportive services to those who need it.

Division B, Title XII. Community Development Fund (\$5 billion). Among other uses, communities may use this to expand child care.

Division B, Title VIII. Community Services Block Grant (\$1 billion). These funds help communities address the consequences of increasing unemployment and economic disruption.

Division B, Title I. Nutrition Programs (total \$25.25 billion) Additional funding for various programs that support adults and children experiencing food insecurity. This includes: Supplemental Nutrition Assistance Program (SNAP) (\$15.5 billion); Child Nutrition Programs (\$8.8 billion); The Emergency Food Assistance Program (TEFAP) (\$450 million), which supports food banks; Food Distribution Program on Indian Reservations (\$100 million); and nutrition assistance to Puerto Rico and the territories (\$200 million). Additionally, Division B, Title VI includes FEMA funds for the Emergency Food and Shelter Program (\$200 million).

Reauthorizations and Extensions of Programs Supporting Young Children and Their Families

Sec. 3824. Temporary Assistance for Needy Families (TANF). Extends the Temporary Assistance for Needy Families program through November 30, 2020, in the manner authorized for FY2019.

Sec. 3225. Healthy Start Program. Reauthorizes the Healthy Start Program, which supports maternal and infant health during the COVID-19 crisis.

ASSISTANCE FOR CHILD CARE PROVIDERS

Small Business Specific Supports (\$377 billion total)

This legislation includes various opportunities for loans and grants for small businesses. The specific programs to support small businesses are outlined below.

Additional supports included in the CARES Act are a more streamlined bankruptcy process and SBA resources in additional languages.

Sec. 1102. Eligibility Changes. Expands eligibility for SBA loans to small businesses who had not previously been eligible including: faith-based and 501(c)(3) nonprofits, and those who are self-employed or sole proprietors.

Entrepreneurial assistance, which provides technical assistance through counseling, training, and related assistance. CARES has two main provisions for this:

- **Sec. 1103. Entrepreneurial development (\$265 million).**

These will provide grants to SBA resource partners such as the Small Business Development Centers, Women's Business Center. The program's non-federal match is waived.

- **Sec. 1108. Minority Business Development Agency (\$10 million).**

These funds will be available for the Minority Business Development Agency to provide services through Minority Business Centers and Minority Chambers of Commerce. The program's non-federal match is waived for three months and centers can waive fee-for-service requirements through September 2021.

Access to Capital

Small Business Debt Relief (\$17 billion). SBA will pay all principal, interest, and fees on all existing SBA loan products (including 7(a), Community Advantage, 504, and Microloan programs), for six months to provide relief to small businesses negatively affected by COVID-19.

SBA Express Loans. Increases maximum for SBA Express Loans to \$1 million, which provide borrowers with credit for working capital purposes.

Sec. 1102. Paycheck Protection Program (\$350 billion). A new loan program to help small businesses survive this time and incentivize them to maintain employment levels. This program is for small employers with fewer than 500 employees as well as employers who meet current Small Business Administration (SBA) size standards. Additionally, self-employed individuals and 501(c)(3) nonprofits, among others, would be eligible. The size of the loan would be equal to 250% (about ten weeks) of an employer's average monthly payroll, with a \$10 million maximum. Covered payroll costs include, but are not limited to, salary, wages, health care benefits, insurance premiums, and covered leave. There will be automatic deferment of payments for 6 months and no repayment penalties. This loan program will be available immediately through existing SBA-certified lenders and will bring

additional lenders into the program. This loan could then be forgiven for up to eight weeks of payroll, rent, utilities, and other essential operating expenses. Forgiveness would be reduced proportionally to any layoffs, as well as any reductions in salary above 25%. This program also provides incentives to rehire workers who may have already been laid off. Additionally, it establishes the maximum 7(a) loan amount of \$10 million through December 31, 2020 and provides a formula that connects the loan amount to payroll costs incurred by the business. Additionally, it increases the government guarantee of 7(a) loans to 100% through December 31, 2020.

In Phase 3.5, the appropriations for the PPP increased by \$310 billion and a set aside for PPP loans to be made by certain institutions was created. This includes: \$30 billion for loans made by Insured Depository Institutions and Credit Unions that have assets between \$10 billion and \$50 billion; and

\$30 billion for loans made by Community Financial Institutions, Small Insured Depository Institutions, and Credit Unions with assets less than \$10 billion.

Note: Community Financial Institutions are defined in the bill as minority depository institutions, certified development companies, microloan intermediaries, and State or Federal Credit Unions.

Sec. 1110. Emergency Economic Injury Disaster Loans (EIDL) Grants (\$10 billion). Expands eligibility for entities suffering economic harm because of COVID-19 to include sole proprietors and private nonprofits, while also giving SBA more flexibility to process and disperse small dollar loans. Businesses would be able to apply for expedited access to capital through an Emergency Grant, an up to \$10,000 advance within three days to maintain payroll, provide sick leave, and service other debt obligations. Limits traditionally necessary loan guarantees.

Phase 3.5 includes an additional \$10 billion for Emergency Economic Injury Disaster (EIDL) Grants.

Phase 3.5 also includes \$50 billion for the Disaster Loans Program Account. The Disaster Loans Program allows non-farm businesses, private nonprofits, homeowners, and renters to access capital to repair damage as a result of a declared disaster.

Small Business Loan Forgiveness

Sec. 1106. Outlines how SBA loans can be forgiven, which cannot exceed 100% of loan and is tied to employee retention during the loan period. Also makes rent, mortgage, and utility costs eligible for SBA loan forgiveness

Supports for Mid-Sized Business

Sec. 4003. Provides \$500 billion to the Treasury's Exchange Stabilization Fund to provide loans, loan guarantees, and other investments to states, municipalities, and "eligible businesses," defined as businesses that have not otherwise received adequate economic relief under the CARES Act. Treasury will endeavor to implement a program or facility to target nonprofit organizations and businesses with 500-10,000 employees. These loans cannot be forgiven, and, among other conditions, must be used to retain at least 90% of the recipient's workforce through September 30, 2020. Interest rates would be capped at 2%, and no principal or interest would be due for at least six months.

ADDITIONAL ASSISTANCE FOR PROVIDERS AND PARENTS

Paid Leave

Sec. 3601. Clarifies an employer is not required to pay more than \$200 per day and \$10,000 in the aggregate for each employee for paid leave.

Sec. 3602. Specifies an employer is not required to pay more than either \$511 per day (\$5,110 in the aggregate) when an employee is taking leave due to quarantine or is seeking a COVID-19 diagnosis OR \$200 per day (\$2,000 in the aggregate) when taking leave to care for an individual in quarantine or the employee's child.

Sec 3605. Allows employees laid off not earlier than March 1, 2020 to access paid family and medical leave if rehired when they had worked for the employer for not less than 30 of the last 60 calendar days prior to the layoff.

Sec. 3606. Allows employers to receive an advance tax credit.

Unemployment

Sec. 2102. Creates a temporary Pandemic Unemployment Assistance program for those not traditionally eligible for benefits (self-employed, independent contractors, those with limited work history, and others) who are unable to work as a direct result of COVID-19.

Sec. 2103. Provides payment to states to reimburse nonprofits, government agencies, and Indian tribes for half of the costs they incur through December 31, 2020 to pay unemployment benefits.

Sec. 2104. Provides an additional \$600 per week to each recipient of unemployment insurance or Pandemic Unemployment Assistance for up to four months.

Sec. 2105. Provides funding to states that elect to pay the first week of unemployment benefits as soon as an individual becomes unemployed instead of delaying eligibility.

Sec. 2106. Gives states temporary, limited flexibility to hire temporary staff, rehire former staff, or take other steps to quickly process unemployment claims.

Sec. 2107. Provides an additional 13 weeks of unemployment benefits through December 31, 2020 to help those who remain unemployed after state unemployment benefits are no longer available.

Sec. 2108-2110. Provides funding to support “short-time compensation” programs, where employees’ hours are reduced to avoid layoffs and they receive a prorated unemployment benefit, including \$100 million in grants to help states implement and administer these programs.

Sec. 2111. Requires the Department of Labor to disseminate model legislative language for states, provide technical assistance, and establish reporting requirements related to “short-time compensation” programs.

Direct Financial Assistance

Sec. 2201. Authorizes recovery rebates of \$1,200 for individuals with adjusted gross income (AGI) up to \$75,000

(\$112,500 for head of household), \$2,400 for married couples with AGI up to \$150,000 who file a joint return, and \$500 for every child. Above those limits, rebates are decreased \$5 for each \$100 a taxpayer's income exceeds the threshold (up to \$99,000 for single filers; \$136,500 for head of household; and \$198,000 for joint).

Sec. 2206. Through January 1, 2021, allows employers to provide a tax-free student loan repayment benefit to employees. Employers may contribute up to \$5,250 annually toward an employee's student loans, including both the new student loan repayment benefit as well as other educational assistance (e.g., tuition, fees, books) provided under current law.

Public Housing

Department of Housing and Urban Development, Public Housing Operating Fund (\$685 million).

Directs funds to be used for expenses related to preventing, preparing for, and responding to coronavirus, including activities to support education and child care for impacted families.

SUPPORTING STATES AND LOCALITIES

Education Stabilization Supports

Sec. 18001. General Provisions Education Stabilization Fund (\$30.75 billion). Includes funds for grants to provide emergency support to local school systems and higher education institutions to continue to provide educational services to their students and support the on-going functionality of school districts and institutions. Designates \$3 billion for Governors to allocate at their discretion for emergency support grants to local educational agencies most significantly impacted by coronavirus. Designates \$14.25 billion for higher education emergency relief for institutions of higher education to prevent, prepare for, and respond to coronavirus. These funds may be used to defray expenses for institutions of higher education including child care.

Tax Code

Sec. 2301. Provides employers a refundable payroll tax credit for 50% of wages paid to employees during the COVID-19 crisis if operations or gross receipts were impacted by coronavirus.

Sec. 2302. Allows employers and self-employed individuals to defer payment of the 6.2% Social Security tax on employee wages, with half due to be paid by December 31, 2021 and the other half by December 31, 2022.

Sec. 2303. Allows net operating losses (NOL) arising in 2018, 2019, or 2020 to be carried back 5 years and temporarily allows an NOL to fully offset income.

Sec. 2304. Amends the loss limitation for pass-through businesses and sole proprietors.

Sec. 2305. Allows companies to claim the corporate alternative minimum tax (AMT) credit now, instead of over several years.

Sec. 2306. Temporarily increases the 30% limitation on business interest to 50% of taxable income (with adjustments) for 2019 and 2020.