

## **ECA FAQ**

Last edited 5.14.20

### **What is the PPP?**

The Paycheck Protection Program is a loan program from the Small Business Administration (SBA) backed by the Treasury Department designed to provide a direct incentive for small businesses and non profit organizations to keep their workers on the payroll. SBA will forgive loans if all employees are kept on the payroll for eight weeks and the money is used for payroll, rent, mortgage interest, or utilities.

### **Why did ECA Apply?**

ECA was significantly negatively impacted by the COVID-19 crisis. Current revenue levels through June 30, 2020 are based upon 335 students. Due to COVID-19 and a shrinking student population in our geographic area, we expect enrollment levels to drop substantially to 310 students. In addition, we also expect the funding rate from CDE to drop by 5-15% due to the state's revenue shortfall.

### **How much is the loan?**

\$365,500

### **How will it be converted to a grant?**

In general, for the loan to be forgiven to its fullest extent, all loan proceeds must be used for eligible purposes as outlined by the SBA and must be expensed over the 8-week period beginning on the day the loan was funded. Eligible purposes currently include certain payroll costs, rent and mortgage interest, and utilities. A minimum of 75% of the proceeds must be used for eligible payroll costs, while no more than 25% may be used on rent, mortgage interest obligations, and utilities which were in effect before February 15, 2020. Also, the amount of forgiveness will be reduced if the full-time employee headcount declines or if the salaries and wages paid to employees decrease.

### **What makes ECA a good candidate for the program?**

ECA is a qualifying 501(C) 3 and has a demonstrated need.

### **How will this Payroll Protection Program support the educational program at the school?**

PPP allows for ECA to continue to operate. Without the PPP program, it is likely that the school would seek to dissolve including the lay-off of 26 full-time and 2 part-time persons. It would also cause 310 students to seek education from another school. This would be a tremendous disruption to their families and the community. In addition, there would be many contractual and financial defaults as part of the dissolution that would have far reaching effects.

### **How is ECA financially affected by COVID-19?**

There are many financial effects from the pandemic on ECA.

School year 2020-21 revenue assumptions:

- Decrease in CSI MLE: currently at an average \$298 per pupil
- Decrease in Charter Cap Construction: currently at \$219 per pupil
- ECA's Retaining Teacher Grant will be eliminated from the CDE budget and there will likely be reductions or eliminations to other grants
- PPR:
  - Reductions ranging from ~ 3% to ~10%
  - Ongoing reductions in PPR for the next several school years

- CARES (aka ESSER): CSI is expecting to receive about \$1.4M in funding from this federal package. We are still working through the process to determine how these funds will be distributed to schools.

### **What are the ongoing effects of COVID-19 for the school year 2020-21.**

School year 2020-21 will operate with new requirements within three potential models. Each of these models will require significant increased costs.

1. All students back in the school with increased mandated health and educational measures
2. All students online with increased technology and curriculum expenses
3. Combination of at-school and online to accommodate social distancing requirements

### **Did ECA seek advice from a CPA or Attorney?**

Yes, ECA consulted with both our attorney and accountant prior to deciding to apply for the PPP loan.

### **What did the Board resolution say about this matter?**

#### BOARD RESOLUTION REGARDING PAYCHECK PROTECTION PROGRAM LOAN

APRIL 22, 2020

WHEREAS, the world is experiencing a pandemic due to COVID 19, which is causing significant negative impact to financial systems worldwide, including the United States and Colorado with Colorado being under a mandatory stay-at-home order; and

WHEREAS, the United States Small Business Administration (SBA) has received funding for the Paycheck Protection Program (PPP) to assist certain businesses and nonprofits to provide payroll, rent, and other specific funding; and

WHEREAS, the PPP loan provides for forgiveness of most of the loan if it is used for payroll, rent, and other specific costs with interest at the rate of one percent (1%); and

WHEREAS, The Early College of Arvada (ECA) has applied for a PPP loan after notification to the Board and approval of the Finance Committee.

RESOLVED THAT, the Board approves the Executive Director of ECA to execute necessary documentation to enter into a PPP loan and any future modifications, to incur debt associated with this loan (approximately \$365,000), with the expectation that most of it will be forgiven as it will be put toward payroll or no more than 25% toward rent for the eight weeks after receiving the loan or whatever forgiveness requirements are implemented by the SBA.

DATED: April 17, 2020

APPROVED: April 22, 2020

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Brenda L Snyder  
Board President