

PAYCHECK PROTECTION PROGRAM GUIDANCE FOR CHARTER SCHOOLS

The purpose of this document is to provide some information on the Paycheck Protection Program, guidance on how to use the Paycheck Protection funds to ensure it is forgiven, and a recommendation to account for the funds in your accounting software.

Information about the Paycheck Protection Program can be found at <https://www.sba.gov/funding-programs/loans/coronavirus-relief-options/paycheck-protection-program-ppp>

Paycheck Protection General Information

- The Paycheck Protection Program is a loan designed to provide a direct incentive for small businesses to keep their workers on the payroll.
- The loan can be fully forgiven if criteria are met (see next section below).
- Loan payments are deferred for six months.
- Lenders shall not charge any fees to the small business applying for the loan.
- The loan (if not forgiven or portion not forgiven) has a maturity of 2 years and an interest rate of 1%.

Guidance on how to spend the Paycheck Protection Funds

- The loan will be fully forgiven if the funds are used for payroll costs, interest on mortgages, rent, and utilities. (75% of the forgiven amount must be used for payroll costs)
- Forgiveness is based on the school maintaining or quickly rehiring employees and maintaining salary levels for eight weeks (the eight weeks starts on the date funds are first received from the lender).
- Forgiveness will be reduced if full-time headcount declines, or if salaries and wages decrease.
- Based on the guidelines a school should prioritize the spending in this manner:
 1. Eight weeks or two months of Payroll (this should spend approximately 80% of the loan funds if your payroll is maintained at average levels)
 2. Utilities (Power, Natural Gas, Water, Sewer, or Trash payments)
 3. Interest on Building Loans or Rent payments

Recommendation to Account for Paycheck Protection Funds in your Accounting Software

In Idaho, there is no requirement that funds be placed in a separate bank account, that is the schools' choice for tracking purposes. We recommend it, but accounting for the dollars in a separate fund is enough.

The SBA loan is a type of Federal funding, so we will need to segregate the funds in a Federal fund. We recommend using Fund 286 for the SBA PPP Program.

Initial recording of the loan should be posted to 286-111100 and 286-450000 (loan proceeds).

There will be an AJE to record later if a portion of, or the entire amount of the loans are forgiven. (Credit to revenue, debit Loan Proceeds).

When running the next two payrolls, we recommend that you use a journal entry to post the costs to fund 286, have the entry approved/signed by the school administrator

- The schools have a choice – they can use PPP funds to cover employees that were budgeted for IDEA and Title programs, and carryover Title and/or IDEA funds to next year, or
- The schools can keep paying IDEA and Title employees (subject to the guidance provided by the SDE) with those funds, reducing the amount of PPP used

These funds will most likely result in triggering the \$750,000 threshold for audits under the Single Audit Act

PPP and Unemployment Claims

The intent of the PPP program is to return employees to work, reducing unemployment.

If a school offers an employee employment at wages equivalent to what they were making before the COVID-19 crisis (typically measured as average wages this year through February 15) and the employee chooses to not come back, then the employee is self-terminating and is no longer eligible for unemployment payments.

It is important that the school documents the offer, communicates clearly and reports correctly to the Idaho Department of Labor.

If the employee has already filed for and received unemployment payments, that is OK; they just need to notify the IDOL they have been reinstated and report the reinstatement date. Many employees have filed for “reduced hours” rather than “termination”, which may cause some confusion. Some schools have questioned why the claims were coming in even though they had not terminated anyone.

Employees who remain employed retain eligibility for benefits, when applicable, including PERSI, sick leave, insurance, etc.