Guidance for Local First Steps Partnerships
Regarding COVID-19 Emergency Loans

April 6, 2020

The recently passed Federal Families First Coronavirus Response Act (FFCRA) and CARES Act contain provisions that may impact local First Steps partnerships. We have provided access to multiple webinars and other guidance on the implications of these acts and will continue to provide guidance as it becomes available.

The CARES Act includes the Paycheck Protection Program (PPP) Loans and the enhanced Economic Injury Disaster Loan (EIDL) Program. Both of these loan programs may be used by non-profits that are exempt under Section 501(c)(3).

At this point, we do not anticipate a reduction in state funding for the local partnerships during the current fiscal year that ends on June 30, 2020, but there are no guarantees that state funding won't change. You may have changes in other revenue or expenses that you feel may qualify you for one of these loans.

The EIDL programs offers loans up to $2 million. We understand this may include up to $10,000 in one time funds that would not have to be paid back. Collateral may be required for an EIDL loan. Also, EIDL loans are not forgivable.

The PPP can provide loans up to $10 million. We understand this may include up to 8 weeks of payroll costs and some other operating costs, subject to multiple criteria and restrictions. Unlike an EIDL loan, a PPP loan may not have to be paid back if the loan proceeds are used for purposes permitted by the PPP program. These funds should be necessary to support the operations of the Local Partnership.

The federal government may provide further guidance on these loan programs, and such guidance could restrict your ability to pursue these programs.

After discussing these loans with our attorney, we do not see anything in South Carolina or federal law that would generally prohibit a local partnership from pursuing either of these loan opportunities so long as the proceeds are used for purposes that are consistent with the First Steps statutes and with the partnership's governing instruments. Obviously, the local partnership will need to comply with all of the requirements for the particular loan program.

Based on our limited knowledge, we can offer the following guidance:

1. Borrowing funds for recurring operating expenses is generally not good financial management, unless you are very confident you will receive funds at some time in the future to repay the amount, have high confidence you will not be required to pay it back, or have another source that can be used to repay the loan.
2. You should not plan on state funding to be available to pay back any loans.
3. At this point state funding has not been reduced, so that should not be a cause for a loan, and if this happens as a permanent reduction, borrowing funds for that purpose would not be appropriate.

4. Any borrowing of funds must be approved by your Board prior to submitting the loan.
5. Please let your Program Officer know when you apply, and when you receive a loan through either of these programs.

As the situation progresses, additional guidance may be available.

These are challenging times for our state. Please let us know if there is any way that we can support your efforts.