



Board Agenda Item #	II C: Action Item
Date:	February 1, 2021
To:	MPS Board of Directors
From:	Alfredo Rubalcava, CEO & Superintendent
Staff Lead:	Serdar Orazov, Chief Financial Officer
RE:	Approval of PPP loan forgiveness application

Proposed Board Motion

I move that the board approve the application for Payroll Protection Program forgiveness for Magnolia Public Schools.

Background

The federal Coronavirus Aid, Relief, and Economic Security Act (CARES Act) created a new product called the Paycheck Protection Program (“PPP”), which provides \$349 billion in forgivable loans to small businesses and nonprofit corporations. The PPP funding is structured as a Small Business Administration (“SBA”) loan from a local bank, fully guaranteed by the SBA, with a two-year term and a 1.0% annual interest rate, to be used towards ensuring continuing employment for employees of small businesses and nonprofit corporations.

On April 23, 2020, the MPS Board approved the PPP Loan in the amount of \$5,461,600. On June 11, 2020 the Board passed a resolution ratifying the PPP loan application approval on April 23rd and providing additional information on the program and the need for it.

As part of the PPP program, certain borrowers are eligible to apply for forgiveness for full or partial amount of the loan. Below are the eligibility requirements.

- Employee and compensation levels are maintained
- The loan proceeds are spent on payroll costs and other eligible expenses; and
- At least 60 percent of the proceeds are spent on payroll costs

Based on the above, MPS meets all three requirements and therefore eligible to apply for the loan forgiveness. MPS spent 100% of the loan proceeds on payroll costs which makes it eligible to apply and get forgiveness for the full amount of the loan, \$5,461,600.

Budget Implications

The loan is currently recorded on MPS financials as a liability. Once the loan forgiveness application is approved by Small Business Administration, the amount will be recorded as a revenue.