

# How to Use Child Care Stabilization Grant Funding to Support Your Home-Based Setting

## ***A guide for home-based child care providers to ensure compliance with Michigan Department of Education (MDE) reporting requirements***

If you applied for a child care stabilization grant in December, you have now received the grant funding and are considering ways to spend it that comply with MDE reporting requirements. This process can be stressful because you want to spend the funding on the staff, as well as the equipment and materials that you need, while ensuring compliance with MDE reporting requirements. Adding to the stress is that MDE is requiring that you file a Child Care Stabilization Grant Spending Report before receiving a second round of funding.

This short guide provides a step-by-step approach to documenting expenses consistent with the MDE reporting requirements that also allows you the most flexibility in spending the grant. Key to this approach is the understanding that you can use the funding for **past expenses** on personnel, rent/mortgage/utilities/facilities, PPE, equipment and supplies, goods and services, and mental health services, among others. A full set of allowable expenses can be found on the MDE website. MDE is allowing providers to use the stabilization funding for expenses incurred at least back to March 11, 2021 and as far back as January 31, 2020 if any of the allowable expenses were used for responding to the COVID-19 public health emergency. As the federal guidance for the child care stabilization grants notes, ***“Assisting child care providers with these past financial losses will help ensure their future viability and are an essential component to stabilizing the availability of child care for our families and our communities as we recover from this pandemic.”***

Applying your grant funding to past expenses and reporting those expenses to MDE allows you to use the funding you have received for whatever needs your program may have in the future. Also, accounting for these past expenses will allow you to more quickly submit the Child Care Grant Stabilization Report to make you eligible for the second round of stabilization funding. Since past personnel expenditures are an allowable expense, accounting for your grant funding may be as easy as reporting on what you have paid yourself since March 2021.

Here are some simple steps to reporting on your stabilization grant with what you paid yourself since March 2021.\*

### **Step 1: Do your 2021 taxes and file your tax return.**

To be able to claim your own personnel cost on the Child Care Stabilization Grant Spending Report, which is your profit on the business (what you pay yourself), you have to document that amount. This amount comes from Line 31 on Schedule C of your tax return.

<b>28</b>	<b>Total expenses</b> before expenses for business use of home. Add lines 8 through 27a . . . . . ▶	<b>28</b>	
<b>29</b>	Tentative profit or (loss). Subtract line 28 from line 7 . . . . .	<b>29</b>	
<b>30</b>	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method. See instructions. <b>Simplified method filers only:</b> Enter the total square footage of (a) your home: _____ and (b) the part of your home used for business: _____. Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30 . . . . .	<b>30</b>	
<b>31</b>	<b>Net profit or (loss).</b> Subtract line 30 from line 29. • If a profit, enter on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see instructions). Estates and trusts, enter on <b>Form 1041, line 3</b> . • If a loss, you <b>must</b> go to line 32.	<b>31</b>	
<b>32</b>	If you have a loss, check the box that describes your investment in this activity. See instructions. • If you checked 32a, enter the loss on both <b>Schedule 1 (Form 1040), line 3</b> , and on <b>Schedule SE, line 2</b> . (If you checked the box on line 1, see the line 31 instructions.) Estates and trusts, enter on <b>Form 1041, line 3</b> . • If you checked 32b, you <b>must</b> attach <b>Form 6198</b> . Your loss may be limited.	<b>32a</b>	<input type="checkbox"/> All investment is at risk.
		<b>32b</b>	<input type="checkbox"/> Some investment is not at risk.



\*MDE is allowing home-based providers to use the amount on line 31 of your tax return to estimate what you paid yourself from March 2021 to the time you submit the spending report.

**Step 2: Compare the amount on Line 31 to the operational portion of your stabilization grant.**

When you received your Child Care Relief Fund Grant-Notice of Decision, it was most likely divided into two sections. The top part of the notice included a number of rows for funding, including licensed capacity, caring for infants and toddlers, caring for subsidy children, etc., with a total amount at the bottom that adds together these different categories. This is the operations portion of the grant. On the bottom was an amount for staff bonuses.

**Fall 2021 Child Care Relief Fund Grant – Notice of Decision**

Dear Provider,

We would like to thank you for applying for the Child Care Sustainability Grant. We are pleased to share with you that your application has been APPROVED. Grant payments will be made the week of January 10, 2022, Based on the number of applications we received the base award for the grant was adjusted to \$975.00 and your new grant amount is: [REDACTED]

[REDACTED]	[REDACTED]	
[REDACTED]	[REDACTED]	
Caring for Infants and Toddlers	[REDACTED]	
Caring for Subsidy Children	[REDACTED]	
Caring for Children During Non Traditional Hours	[REDACTED]	
Caring for Children with Special Needs	[REDACTED]	
Great Start to Quality Rating	[REDACTED]	
<b>TOTAL AMOUNT</b>	[REDACTED]	<b>Operational Grant Funds</b>
Staff Bonus Funds	[REDACTED]	
Hiring/Recruitment Funds	[REDACTED]	
<b>TOTAL AMOUNT</b>	[REDACTED]	<b>Staff Bonus &amp; Recruiting Funds</b>

If the operational portion of your grant—the total on the top—was less than the amount from Line 31 on your Schedule C of your tax return, then you are finished with the reporting for operations. You can account for your stabilization grant by recording that amount in the Salaries line, under Personnel Costs, on the reporting document (See next page). In addition to reporting for operational costs, you would also need to report to MDE that you paid staff bonuses to the correct number of staff members (you and any employees) on the report.

Once you have accounted for the grant funding using past expenses, you can spend what you received in any way you want. **Remember: You will have to pay taxes on the funding so put aside one-third of the amount you received for taxes.**

If the amount you paid yourself in 2021 is less than the operational grant amount, then you would need to go to Step 3.

**Step 3: If your grant funding is larger than what you paid yourself in 2021, report additional past expenses that were incurred.**

If the operational funds portion of your grant (everything except bonuses) is more than the amount on your 2021 Schedule C Line 31, look at your other expenses between March 11, 2021 and today and use any allowable expenses from that time to complete your grant reporting.

**Then you are done!**

**Example 1:**

You are a home-based child care provider. Your 2021 Schedule C Line 31 shows \$34,000. You received a grant of \$10,020 (\$1,000 staff bonus + \$9,020 operational funds).

Report to MDE:

- \$9,020 in salaries
- 1 staff bonus of \$1,000
- Upload your 2021 Schedule C as documentation.

**Example 2:**

You are a home-based child care provider. Your 2021 Schedule C Line 31 shows \$8,000. You received a grant of \$10,020 (\$1,000 staff bonus + \$9,020 operational funds).

Report to MDE:

- \$8,000 in salaries
- Document other allowable expenses that equal \$1,020
- 1 staff bonus of \$1,000
- Upload your 2021 Schedule C as documentation of the salaries and receipts or bills as documentation of the other allowable expenses.

If you have questions about reporting requirements or allowable use of funds for the Child Care Stabilization Grants, please contact your local Great Start to Quality Resource Center [www.greatstarttoquality.org/resource-centers/](http://www.greatstarttoquality.org/resource-centers/)

Category	Expenses	Expense Description
<b>Personnel Costs ⓘ</b>	Funds Used	
Salaries ⓘ	\$ <input type="text"/>	<input type="text"/>
Employment Taxes, Self-Employment Tax, and Fringe Benefits ⓘ	\$ <input type="text"/>	<input type="text"/>
Increased Personnel Salaries/Wages (recruitment bonus, staff bonus, premium pay) ⓘ	\$ <input type="text"/>	<input type="text"/>
<b>Category</b>	<b>Expenses</b>	<b>Expense Description</b>
<b>Rent, Mortgage, Utilities, Facilities Maintenance, and Insurance ⓘ</b>	Funds Used	Expense Description
Rent/Mortgage, Utilities, Insurance, Telephone/Internet ⓘ	\$ <input type="text"/>	<input type="text"/>
Maintenance ⓘ	\$ <input type="text"/>	<input type="text"/>
Minor Renovation ⓘ	\$ <input type="text"/>	<input type="text"/>
<b>Personal Protective Equipment (PPE), Cleaning and Other Health and Safety Practices ⓘ</b>	Funds Used	Expense Description
Cleaning and Sanitation Supplies, PPE and COVID testing ⓘ	\$ <input type="text"/>	<input type="text"/>
<b>Equipment &amp; Supplies ⓘ</b>	Funds Used	Expense Description
Software ⓘ	\$ <input type="text"/>	<input type="text"/>
Computers and IT ⓘ	\$ <input type="text"/>	<input type="text"/>
<b>Goods &amp; Services ⓘ</b>	Funds Used	Expense Description
Food ⓘ	\$ <input type="text"/>	<input type="text"/>
Consumable Supplies ⓘ	\$ <input type="text"/>	<input type="text"/>
Classroom Materials ⓘ	\$ <input type="text"/>	<input type="text"/>
Sleeping Equipment ⓘ	\$ <input type="text"/>	<input type="text"/>
Licensing Fees ⓘ	\$ <input type="text"/>	<input type="text"/>
<b>Mental Health Services ⓘ</b>	Funds Used	Expense Description
<b>Tuition Relief Provided to Families ⓘ</b>	Funds Used	Expense Description
Tuition Relief Provided to Families	\$ <input type="text"/>	<input type="text"/>
<b>Past Expenses ⓘ</b>		
Paying for past expenses ⓘ	Funds Used	Expense Description
	\$ <input type="text"/>	<input type="text"/>
<b>TOTAL AWARDED</b>	\$162,632.50	
<b>TOTAL Expenses</b>	\$0.00	
<b>Funds Remaining</b>	\$162,632.50	