

SNSP Eligible Education Expenses

This bulletin provides information on the requirements related to eligible education expenses as provided for under Wis. Stats. 115.7915(6)(e) and Wisconsin Administrative Code PI 49.10. Eligible education expenses are included as part of a supplemental schedule submitted with the school's required annual financial audit. For more information on the financial audit requirements, the supplemental schedule, offsetting revenue, and capital assets, see the Financial Audit and PSCP/SNSP Reserve Balance Bulletin available at: <https://dpi.wi.gov/sms/special-needs-scholarship/financial-audit>.

Eligible Education Expenses Requirements

Eligible education expenses are expenses associated with the school's educational programming for all pupils enrolled in four-year-old kindergarten (K4) to 12th grade. Eligible education expenses are used to calculate the school's SNSP reserve balance. The reserve balance is the difference between the SNSP revenue received and the amount spent on SNSP eligible education expenses. SNSP eligible education expenses fall under two categories:

- 1) SNSP Exclusive Eligible Education Expenses: These are the school's educational programming expenses that are *primarily related to SNSP students*. In order to be included in this category, the expenses must be at least 50% related to the SNSP students. When calculating the school's reserve balance, the portion of these expenses used for SNSP purposes may be included as an SNSP exclusive eligible education expense.
- 2) General Eligible Education Expenses: These are the school's educational programming expenses for *all pupils* enrolled in grades K4 to 12. General eligible education expenses are included whether or not they are specifically for the SNSP pupils at the school. In the reserve balance schedule, the general eligible education expenses for all pupils are multiplied by the percentage of students at the school participating in the SNSP and that portion is included as an SNSP eligible education expense. Any expenses that are included as an SNSP exclusive eligible education expense are excluded from the general eligible education expenses.

For additional information on the calculation of the reserve balance, see the Financial Audit and PSCP/SNSP Reserve Balance Bulletin.

Additional eligible education expense requirements:

1. The expenses must have been incurred and have already been paid or will be paid in a future school year.
2. The expenses must be supported by evidence of the good or service purchased and the amount expended.

3. Eligible education expense may only be included one time.
4. Eligible education expenses may only include those expenses that are may be included in the Statement of Activities based on generally accepted accounting principles (GAAP) for that school year except for the following:
 - o The amount that the school paid for land is included as an eligible education expense in the first year the land is used for educational programming.
 - o Modified Financial Audit Only: Post retirement benefits may be included based on the actual cost of the benefits in that year.
5. Capital assets must meet the requirements in the Financial Audit and PSCP/SNSP Reserve Balance Bulletin. The determination of which assets are capitalized must be based on the school's capitalization policy that states what assets are capital assets and how they will be depreciated. If the school is participating in the Private School Choice Programs (Choice program) and the SNSP, the same capitalization policy must be used. Appendix 1 includes an optional template for creating a capitalization policy.

Eligible education expenses may **not** include:

1. Expenses that are not associated with the school's K4 through 12th grade educational programming.
2. Services, capital assets, or goods that are donated to the school.
3. Scholarship awards and financial support for pupils to attend the school, including payments to parents or others on behalf of pupils.
4. If the school contracts with a public school district to provide educational programming, such as K4 programming, the expenses for this program and any related services should not be included as an eligible education expense. These pupils are not included in the all pupil count. The revenue from the school district is also not included as offsetting revenue on the financial audit supplemental schedule.
5. Daycare expenses, except expenses for before or after school care for K4 through 12th grade pupils that are enrolled in educational programming at the school. If the school has a program for four-year-old or five-year-old children and the grades are not available for SNSP or Choice program pupils, it may determine if the program is daycare or educational programming.
 - If it is daycare, the students are excluded from the all pupil count and the costs are excluded from eligible education expenses.
 - If it is educational programming, the students are included in the all pupil count and the costs are included in eligible education expenses.

If K4 and/or five-year-old kindergarten (K5) are grades that SNSP or Choice program pupils are able to apply to, the grade or grades are considered educational programming.
6. Uncollectable amounts owed to the school (bad debt expenses). An example of this would be tuition that a school is not able to collect from a student.

SNSP Exclusive Eligible Education Expenses Identification

SNSP exclusive eligible education expenses can include expenses that are 100% related to SNSP students and expenses that are primarily, but not only, related to SNSP students. Examples of expenses that are 100% related to SNSP students include the cost of SNSP Enrollment Audits, the cost of the SNSP surety bond, and the cost of a teacher aide whose only role is to assist SNSP students. Expenses that are primarily, but not only, related to SNSP students are expenses that were incurred primarily for SNSP

students where other pupils at the school are also getting a benefit. In order to be included in this category, the expenses must be at least 50% related to the SNSP students. Examples of these expenses include:

1. A teacher aide who assists 3 SNSP student and 1 non-SNSP student during the day.
2. Learning software that was purchased and is primarily used for SNSP students that non-SNSP students occasionally use.

The allocation for these expenses must be specific to the particular expense rather than a general allocation.

Generally, the cost of teachers and general administrative expenses should be included as a general eligible education expense rather than as a SNSP exclusive eligible education expense. Using this method, the total costs for the teachers, including the cost for teachers with no SNSP students in the classroom and those with SNSP students in the classroom, is multiplied by the percentage of students at the school participating in the SNSP. The exception to this is if the school has a resource teacher, teacher aide, or additional teacher primarily to assist with the SNSP students, the cost may be included as a SNSP exclusive eligible education expense.

The SNSP exclusive eligible education expenses are excluded from the calculation of general eligible education expenses. For example, a school has a teacher aide who is paid \$40,000 a year. The teacher aide spends 80% of her time with SNSP students and spends the remaining 20% of her time with non-SNSP students. The SNSP exclusive eligible education expenses on the SNSP Reserve Balance Schedule would include \$32,000 (calculated as \$40,000 times 80%). The SNSP exclusive eligible education expense amount that is excluded from the general eligible education expenses calculation would be the \$40,000. This is excluded from the general eligible education expenses because the school has already recovered the cost of the teacher aide for SNSP purposes. If the school also participates in the Choice program, the SNSP exclusive eligible education expense amount that is excluded from the Choice program general eligible education expense calculation on the PSCP Reserve Balance Schedule would be \$32,000. Therefore, the remaining \$8,000 would be included in the net eligible education expenses for Choice program purposes.

Allocation Requirements

For SNSP purposes, the school may need to use allocations for the following:

1. To determine what portion of the expenses or revenues are SNSP exclusive eligible education expenses or offsetting revenues as explained in the previous section; and/or
2. To determine what portion of the expenses or offsetting revenues are related to K4 through 12th grade educational programming compared to non-educational programming.

As a reminder, expenses that are less than 50% related to SNSP students may not be included as SNSP exclusive eligible education expenses or offsetting revenues.

The situations where a school may need to use an allocation due to expenses or offsetting revenues being partially related to educational programming and partially related to non-educational programming include the following:

1. The school is part of a church.
2. The school has non-educational programming operations. This would include three-year-old kindergarten or daycare operations.

3. The school includes central administration for multiple schools. An example of this would be a management organization providing central administration for several schools. A school that has several different locations does not need to separately identify how much eligible education expenses each location has.

The school should determine what allocation methods will be used for asset categories, expenses, or offsetting revenues. Some example allocation methods include:

1. Pupil full-time equivalency or headcount
2. Employee full-time equivalency or headcount
3. Time spent
4. Number of transactions for allocating items such as accounting expenses
5. Square footage or square footage used over time for items such as rent
6. Miles driven or driver hours for items such as transportation expenses

Frequently Asked Questions

Q1. What if a previously included eligible education expense is forgiven, will be not be paid, or is determined to not be appropriate?

A1. The eligible education expenses will be reduced by the amount that is forgiven, will not be paid, or is determined to not be appropriate if the school was participating in the SNSP in the year the expense was included as eligible. This is completed by including it on the “Adjustments to Prior Year Net Eligible Education Expenses” line of the Reserve Balance Schedule in the year the adjustment is identified. Decreases to the net eligible education expenses should be included as a negative amount on this line. If there are any amounts on this line in the Reserve Balance Schedule or any changes in the prior year balances on any of the financial statements, the financial audit should include a note explaining the change and why it did or did not impact the prior year net eligible education expenses.

Q2. If an eligible education expense was missed in a previous school year, can it be included in the current school year?

A2. Yes, eligible education expenses that were missed in a previous year may be added in the current school year on the “Adjustments to Prior Year Net Eligible Education Expenses” line of the Reserve Balance Schedule if the school was participating in the SNSP in the year the expense was incurred. Increases to the net eligible education expenses should be included as a positive amount on this line. If there are any amounts in this line on the Reserve Balance Schedule or any changes in the prior year balances on any of the financial statements, the financial audit should include a note explaining the change and why it did or did not impact the prior year net eligible education expenses.

Q3. Does before and after school care need to be provided by a teacher in order for it to be included as an eligible education expense?

A3: No, before and after school care does not need to be provided by a teacher to be included as an eligible education expense.

Q4. If repairs or maintenance are made to a school building, can the school include these expenses as an eligible education expense?

A4. Yes, repair and maintenance expenses related to buildings may be included if they correspond with a building that is used for educational programming purposes. The amount included as an annual eligible education expense depends on whether the expenses were capitalizable based on the school's written capitalization policy. If expenses were capitalizable, they would be depreciated annually based on the capitalization policy. If the expenses were not capitalizable, they are included fully in the year incurred. The expenses may also need to be allocated if the expenses are for both educational and non-educational purposes.

Q5. Our school has owned land for multiple years. Can the school include land expense as an eligible education expense in the first SNSP financial audit?

A5. If the school paid for the land and can provide the auditor with evidence of the transaction, the school can include the cost of land as an eligible education expense in the school's first SNSP financial audit. An allocation of the expense may be required based on the portion that is used for educational programming.

Q6. Our school participated in the Choice program in a previous school year and already recovered the cost of land. Can the school include land expense as an eligible education expense in the first SNSP financial audit?

A6. Yes. If the school paid for the land and can provide the auditor with evidence of the transaction, the school can include the cost of land as an eligible education expense in the school's first SNSP financial audit. An allocation of the expense may be required based on the portion that is used for educational programming. The inclusion of the land in the first Choice program financial audit allowed the school to recover the cost of the land for Choice program purposes. Including it in the SNSP reserve balance schedule allows the school to recover the cost for SNSP purposes.

Q7. What is the Statement of Activities?

A7. A complete set of not-for-profit financial statements includes a statement of activities. This statement is similar to the income statement required in for-profit financial statements. The statement of activities includes the revenues and expenses of the school.

Q8. What is offsetting revenue?

A8. See the Financial Audit and PSCP/SNSP Reserve Balance Bulletin at <https://dpi.wi.gov/sms/special-needs-scholarship/financial-audit> for an explanation of what is included in offsetting revenue.

Q9. The church and the school are the same legal entity. The church charges rent to the school. Can the school include the rent as an eligible education expense?

A9. No. The rent must be paid to a separate legal entity to include it as an eligible education expense. Recording rent in the internal financial statements represents internal bookkeeping for expenses and does not represent cash disbursements by the legal entity of the school. The school can include the building in

its financial statements and depreciate it if it meets the capital asset requirements. The portion of the depreciation that is an eligible education expense must be determined using an allocation method.

Q10. The church and the school are the same legal entity. The church pays for general expenses such as utilities and charges the school. Can the school include the expenses as an eligible education expense?

A10. If the legal entity of the school has paid or will pay for the expenses, they may be included. The portion of the expense that is an eligible education expense must be determined using an allocation method.

**Appendix 1:
Template capitalization policy.**

The capitalization policy should describe what asset categories will be used, the useful life that will be applied to assets within each category, and the monetary threshold that will be used to determine if an asset is capitalized. The policy should also include information on what asset groups, if any, will be used for capitalization purposes.

Category Name	Category Description	Useful Life	Monetary Threshold
Educational Media	Instructional and administrative items that are expected to serve their principal purposes for more than a year. Media includes items such as text and reference books, audio-visual materials, and computer software.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Equipment	Classroom, office, and other equipment that is expected to serve its principal purposes for more than a year. This includes items such as desks, furniture, freestanding lockers, computers, copiers, and vehicles.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Buildings	Building and building components such as lighting fixtures, built-in lockers, heating, ventilating and wiring systems.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Land	Land and land preparation expenses for its intended purpose. This includes demolition of an existing building and other site preparation and site improvements (other than buildings) that ready the land for its intended use.	None	N/A
Land Improvements	Improvements that add functionality to the land. Examples include sidewalks, fencing, installed playground equipment, and landscaping.	[School should specify the number of years that will be used for this category]	[School should specify the dollar threshold that will be used for this category]
Leasehold Improvements	Improvements to a leased facility that will stay with the facility even if the school no longer leases the facility.	The current lease term	[School should specify the dollar threshold that will be used for this category]