Q & A’s for Approved Private Schools for Students with Disabilities (APSSDs) Regarding Loans Received from the Federal Paycheck Protection Program (PPP)  
April 23, 2020

1. If an APSSD applies for and receives Federal PPP funding will the revenue be considered restricted by NJDOE?

   If the APSSD uses the funds for any restricted purpose or wishes to include the cost of the loan in the certified actual cost per student, the loan will be treated as revenue in public school restricted funds that will offset expenditures in the current year and affect the calculation of the APSSD’s certified actual cost per student. The funds would be recorded as in the restricted fund as Other Miscellaneous Restricted Revenue in account number 10-XXXX.

2. How should schools make sure the loan is ultimately forgiven by the Small Business Association?

   We recommend that APSSDs refer to federal guidance, and ensure that these funds are expressly used for the payment of employees’ payroll with no more than 25% of the proceeds being allocated to non-payroll expenses such as rent, utilities, and mortgage interest. Please refer to Treasury’s Fact Sheet and the SBA’s PPP Interim Final Rule for more information regarding the Federal limitations and uses of these loan funds.

3. Regarding the PPP funds, what is the impact of the calculation of the APSSD’s final tuition rate charged to sending districts for the year ended June 30, 2020? In other words, will the revenue need to be netted against total Public-School Placement Expenditures in determination of the final tuition rate?

   The intent and purpose of the Federal PPP loans is to allow qualifying small businesses the ability maintain operations and pay staff during the established timelines during the COVID-19 health crisis. Therefore, if APSSDs pay for operating expenses with the forgiven loan, that amount must offset total public-school placement expenditures.
While sending districts may indirectly benefit from lowered expenditures for a one-year period, the direct benefit is to the APSSD in maintaining current staffing levels to meet operating demands at the conclusion of the health crisis.

4. **How does the interest paid by the APSSD on these loans fit into the current regulations on interest costs?**

The interest cost on the loans would be considered an allowable cost so long as the APSSDs follow the applicable regulations. In accordance with N.J.A.C. 6A:23A-18.6(a)26, interest costs on loans are non-allowable when: (i) interest is in excess of the general prevailing rate at the time the loan was taken; (ii) the loan is a less-than arm’s length transaction that has not been previously approved by the department and has not been repaid in accordance with the Department’s approval letter; or (iii) the loan is not exclusively used to meet educational program needs.

Since the loan is limited to a two-year period, we anticipate that it will not require repayment of principal, and is solely due to the COVID-19 public health crisis, the Department will not consider PPP loans to be long-term loans subject to N.J.A.C. 6A:23A-18.6(a)27.

5. **If the NJDOE considers the PPP funds to be restricted revenue, will the forgiven loan affect the APSSD’s tentative tuition rate 2 years subsequent? Since Federal PPP is a one-time occurrence an adjustment would be required to normalize the tentative rate 2 years subsequent.**

Since the offset is expected to have a one-time occurrence, the Department will consider the offset when calculating the tentative tuition rate for the 2021-2022 school year (July 1, 2021 through June 30, 2022) to prevent the understatement of operating expenditures projections for the year ended, June 30, 2022.

6. **What are the reporting requirements of the Federal PPP loan once forgiven?**

Details of the loan must be disclosed in the Notes to the Financial Statements outlining repayment terms and once forgiven, record the net effect on the school’s balance sheet as a reduction in liabilities.
7. What if PPP loans are not forgiven?

The intent of the PPP loans is that the employees will be kept on payroll, and if the payments are made for the two-year term of the program, it is the Department’s understanding that the loans will be forgiven; therefore principal repayments will not be an issue. If PPP loans borrowed by APSSDs do not qualify for forgiveness, the Department will make determinations on a case-by-case basis.