



State of New Jersey

DEPARTMENT OF EDUCATION
PO Box 500
TRENTON, NJ 08625-0500

JON S. CORZINE
Governor

LUCILLE E. DAVY
Commissioner

April 9, 2009

TO: Chief School Administrators
School Business Administrators/Board Secretaries

FROM: Beth Brooks *Beth Brooks*
Director, Fiscal Policy and Planning

SUBJECT: Application to Borrow Due to Delay in June State School Aid Payment

APPLICATION DUE TO EXECUTIVE COUNTY SUPERINTENDENT BY May 22, 2009

Attached is a summary of the **2009** borrowing process and the application to request department approval to enter into short-term financing from the bank of your choice, if needed, due to the delay in the last June state school aid payment. The application includes a one page form for pertinent banking and borrowing information, a cash flow worksheet to demonstrate the need to borrow, and instructions on completing the cash flow worksheet.

As outlined in the attached summary, the completed application (one page form and cash flow worksheet) and supporting documentation must be submitted to your executive county superintendent by **May 22, 2009**. The preliminary amount of your last state aid payment will be available from your executive county superintendent on **May 19, 2009** and the final amount, inclusive of all adjustments, will be available from your executive county superintendent by **June 18, 2009**.

The executive county superintendent can approve loans up to the lesser of either the amount of the delayed June state school aid payment or the amount on line 20 of the completed cash flow worksheet. The payoff of the approved short-term borrowing will be made directly by the state to the district's bank of choice from the district's state aid payment no later than **July 2, 2009**. The state will also pay the interest cost approved by the department directly to the bank for applications that include a written bank proposal from the lending bank. The written bank proposal should state at a minimum the principal amount, interest rate, total interest cost through **July 1** and through **July 2**, with a term not to exceed the period **June 22** through **July 2**. The state will review all applications and respective interest costs to ensure districts have received the most competitive

market rate. Interest costs that exceed such a competitive rate may not be approved for the interest cost, but instead the state may encourage those districts to receive a more competitive bank proposal.

Decisions on applications received by **May 22** will be made by the executive county superintendent no later than **June 18, 2009**. When the loan is approved by the department, districts should work with their chosen bank to borrow up to the approved amount. A copy of a signed Promissory Note must be received by the Division of Finance, Office of School Funding, no later than **June 25, 2009** to ensure timely payment and reimbursement to the lending bank. Posted on our website at <http://www.nj.gov/education/finance/fp/af/borrow/>, for use by districts, is a sample Promissory Note, if desired, as well as other related borrowing documents.

BB:SG:Y:\Borrowing-Last State Aid 09-10\Memos & Letters\Memo from Beth.doc

Attachments

c: Donna Arons
Katie Attwood
Gerald Vernotica
Joan Saylor
Yut'se Thomas
Members, State Board of Education
Kim Belin
Executive County Superintendents
Executive County School Business Administrators
LEE Group