



State of New Jersey

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

JON S. CORZINE
Governor

LUCILLE E. DAVY
Commissioner

May 15, 2009

TO: Chief School Administrators
School Business Administrators/Board Secretaries

FROM: Katherine P. Attwood, Assistant Commissioner *Katherine P Attwood*
Division of Finance

SUBJECT: Delay in June 8, 2009 State Aid Payment and Update to Application to Borrow

DEADLINE TO SUBMIT APPLICATIONS TO BORROW EXTENDED TO May 28, 2009

Yesterday, Governor Jon Corzine announced several necessary measures the state must take to address the continuing fiscal crisis and offset an estimated \$1.2 billion budget shortfall in the current year. One of those measures is the delay in the June 8, 2009 state aid payment to July. This is in addition to the June 22, 2009 payment delay already scheduled. The June payment delays are not reductions in 2008-09 state aid and districts do not need to reduce or amend their 2008-09 budgets. Pursuant to N.J.S.A. 18A:22-44.2, "in the event that a State school aid payment for the current school budget year is not made until the following school budget year, the payment shall be recorded as revenue for budget purposes in the current school budget year."

The second payment delay in June, however, may require more districts to borrow for cash flow needs pursuant to N.J.S.A. 18A:22-44.2 to meet their obligations between June 8 through early July. The state expects to know within the next few days the exact payment date in early July of the two delayed June payments and as soon as it is determined, we will immediately let districts know. The borrowing application and cash flow worksheet issued to districts on April 9, 2009 are posted on our website at <http://www.nj.gov/education/finance/fp/af/borrow/>. I strongly encourage every district to complete the cash flow worksheet to determine whether the district will have sufficient cash through the end of the year to address payroll and other critical obligations. The county offices will reach out to all districts and are available to assist in this review and analysis.

To enable more time to evaluate your cash flow needs in response to this announcement, we have extended the deadline to the submit applications to borrow to your Executive County Superintendents to May 28, 2009. The department will issue approvals on the applications by June 3 which will provide sufficient time for districts to enter into agreements with your bank of choice by June 8, 2009. Districts that do not need to borrow for the June 8 payment but need to borrow for the June 22 payment, may submit applications after May 28, 2009. Applications must be submitted at least ten calendar days prior to the district's need to borrow (no later than June 12, 2009). Please provide the banking information contained on the W-9 and ACH forms for your anticipated bank of choice with the application so the state can ensure prompt payment by the due date.

The borrowing application and guidance documents posted on the web reflect all of these changes. Please use the revised forms and follow the new timeline for submission to and approval by the department

to borrow against the deferred state aid payments. As in prior years, the payoff of the approved loan will be made directly by the state to the district's bank of choice. The state will also pay the interest cost approved by the department directly to the bank.

Board approval is still required to borrow money. The department recognizes the short timeframe for obtaining such approval and the Executive County Superintendent will accept an application for review pending approval. Legislation will be introduced shortly to amend P.L. 2003, chapter 97 (*N.J.S.A. 18A:22-44.2*) to enable school districts the ability to borrow beginning June 8. Districts currently have the ability to borrow money from their bank between June 22 and June 30 after receiving department approval.

As in prior years, the borrowing application includes a one page form for pertinent banking and borrowing information and a cash flow worksheet to support the need to borrow. Instructions on completing the cash flow worksheet are posted. The Executive County Superintendent will approve loans up to the lesser of either the amount of the delayed June state school aid payments or the amount deemed necessary as calculated on line 20 of the completed cash flow worksheet. If the loan amount is less than the amount of the delayed June 22 state aid payment, then the effective date of the loan must be June 22 or later. If the loan amount is greater than the amount of the delayed June 22 state aid payment, then the effective date of the loan is June 8 or later. The written bank proposal must state at a minimum, the principal amount, interest rate, total interest cost through the July payment date, with a term not to exceed the period beginning no earlier than June 8 or June 22, whichever is applicable.

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, W-9 form and ACH authorization form for the lending bank, must be received by the Division of Finance, Office of School Funding, by the dates below to ensure timely payment and reimbursement to the lending bank.

Below is a recap of the pertinent dates for the borrowing process.

Preliminary amount of June state aid payments available from ECS	May 19, 2009
Applications to borrow by June 8 due to ECS	May 28, 2009
Information to be submitted with applications: <ul style="list-style-type: none"> - Completed Application Form - Completed Cash Flow Worksheet - Supporting information for cash flow worksheet, as listed in the instructions - Board resolution authorizing borrowing - Bank proposal letter from the lending bank 	
Final June state aid payment amount, inclusive of all adjustments, available from ECS	June 2, 2009
ECS approval date for June 8 applications	June 3, 2009
First potential day to borrow (if approved principal > June 22 payment)	June 8, 2009
Executed Promissory Notes for June 8, W-9 forms and ACH authorization forms due to Division of Finance	June 11, 2009

Applications to borrow by June 22 due to ECS including bank information and ACH Forms	June 12, 2009
Information to be submitted with applications: <ul style="list-style-type: none"> - Completed Application Form - Completed Cash Flow Worksheet - Supporting information for cash flow worksheet, as listed in the instructions - Board resolution authorizing borrowing - Bank proposal letter from the lending bank - W-9 form - ACH form 	
ECS approval date for June 22 applications	June 17, 2009
First potential day to borrow (if approved principal < June 22 payment)	June 22, 2009
Executed Promissory Notes for June 22 due to Division of Finance	June 24, 2009
Loan repayment made to the bank by the state	Early July

A sample Promissory Note is also posted on our website. Please reach out to your Executive County Business Administrator if you have any questions or need assistance completing the cash flow worksheet. Please also feel free to reach out to Beth Brooks or Stephanie Gorman in my office at 609-292-4421.

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c: Members, State Board of Education
Lucille E. Davy
Donna Arons
Gerald Vernotica
Beth Brooks
Joan Saylor
Yut'se Thomas
Kim Belin
Executive County Superintendents
Executive County School Business Administrators
LEE Group