



State of New Jersey
DEPARTMENT OF EDUCATION
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CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

May 7, 2012

TO: Chief School Administrators
School Business Administrators/Board Secretaries

FROM: Yut'se O. Thomas, Director
Office of School Finance

A handwritten signature in black ink, appearing to read "YOT", is written over the printed name of the sender.

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

APPLICATION DUE TO EXECUTIVE COUNTY SUPERINTENDENT BY May 25, 2012

Posted on the department's website at <http://www.nj.gov/education/finance/fp/af/borrow/> is a summary of the **2012** 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 June state school aid payments. Note that for borrowing on the June 2012 delayed state aid payments, the district will be responsible for repaying the note to the lending bank. The payment does not go directly from the state to the lending bank.

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 posted summary, for districts that need to borrow for the June 8 payment, the completed application (one page form and cash flow worksheet) and supporting documentation must be submitted to your executive county superintendent by **May 25, 2012**. Districts that do not need to borrow for the June 8 payment but need to borrow for the June 22 payment may submit applications no later than **June 11, 2012**. The preliminary amount of your June state aid payments will be available from your executive county superintendent on **May 18, 2012** and the final amount, inclusive of all adjustments, will be available from your executive county superintendent by **June 4, 2012**.

The executive county superintendent can approve loans up to the lesser of either the amount of the delayed June state school aid payments or the amount on line 20 of the completed cash flow worksheet. The payoff of the approved short-term borrowing will be made by the state to the

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district's regular state aid account from the district's state aid payment no later than **July 9, 2012**. The state will also pay the interest cost approved by the department directly to the district's regular state aid account for applications that include a written bank proposal from the lending bank. **The district will be responsible for repaying the note and related interest to the lending bank.** The written bank proposal should state at a minimum the principal amount, interest rate, total interest cost through **July 6** and through **July 9**, with a term not to exceed the period **June 8** through **July 9**. The executive county superintendents will review all 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 executive county superintendent may encourage those districts to receive a more competitive bank proposal.

Decisions on applications received by **May 25** will be made by the executive county superintendent no later than **June 5, 2012**. 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 Guy Nanavati in the Division of Administration and Finance, Office of School Finance, no later than **June 11, 2012** to ensure timely payment and reimbursement to the district regular state aid account. Decisions on applications received by **June 11, 2012** will be made by the executive county superintendent no later than **June 18, 2012**. A copy of a signed Promissory Note must be received by Guy Nanavati in the Division of Administration and Finance, Office of School Finance, no later than **June 25, 2012** to ensure timely payment and reimbursement to the district regular state aid account. A sample Promissory Note is posted on our website for use by districts at <http://www.nj.gov/education/finance/fp/af/borrow/> as well as other related borrowing documents.

YOT:PS:SG: Y:\Borrowing-Last State Aid 12-13 (June 2012)\Web posting\Borrowing Memo from Yutse.doc

c: Members, State Board of Education
Senior Staff
Glenn Forney
Patricia Scott
Pam Castellanos
Stephanie Gorman
Guy Nanavati
Executive County Superintendents
Executive County School Business Administrators