



State of New Jersey

DEPARTMENT OF EDUCATION

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Governor

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Lt. Governor

CHRISTOPHER D. CERF
Acting Commissioner

May 11, 2011

TO: Chief School Administrators
School Business Administrators/Board Secretaries

FROM: Yut'se O. Thomas
Acting Assistant Commissioner
Division of Finance and Regulatory Compliance

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

APPLICATION DUE TO EXECUTIVE COUNTY SUPERINTENDENT BY May 27, 2011

Posted on the department's website at <http://www.nj.gov/education/finance/fp/af/borrow/> is a summary of the **2011** 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 2011 delayed state aid payments, the district will now be responsible for repaying the note to the lending bank. The payment will no longer 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 27, 2011**. 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 10, 2011**. The preliminary amount of your June state aid payments will be available from your executive county superintendent on **May 19, 2011** and the final amount, inclusive of all adjustments, will be available from your executive county superintendent by **June 2, 2011**.

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

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worksheet. The payoff of the approved short-term borrowing will be made by the state to the district's regular state aid account from the district's state aid payment no later than **July 8, 2011**. 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 7** and through **July 8**, with a term not to exceed the period **June 8** through **July 8**. 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 27** will be made by the executive county superintendent no later than **June 3, 2011**. 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 and Regulatory Compliance, Office of School Funding, no later than **June 13, 2011** to ensure timely payment and reimbursement to the district regular state aid account. Decisions on applications received by **June 10, 2011** will be made by the executive county superintendent no later than **June 17, 2011**. A copy of a signed Promissory Note must be received by the Division of Finance and Regulatory Compliance, Office of School Funding, no later than **June 24, 2011** 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 11-12 (June 2011)\Web posting\Borrowing Memo from Yutse.doc
Attachments

c: Members, State Board of Education
Christopher Cerf
Gregg Edwards
Eric Taylor
Alan Guenther
Glenn Forney
Patricia Scott
Pam Castellanos
Stephanie Gorman
Guy Nanavati
Executive County Superintendents
Executive County School Business Administrators