



STATE OF NEW JERSEY DEPARTMENT OF EDUCATION

A Memo from the New Jersey Department of Education

Date: May 18, 2020
To: Chief School Administrators
Route To: School Business Administrators/Board Secretaries
From: Glenn Forney, Deputy Assistant Commissioner
Division of Finance

Process for Filing an Application to Borrow Due to Delay in June 2020 State School Aid Payments (*N.J.S.A. 18A:22-44.2*)

The New Jersey Department of Education (NJDOE) has posted a summary of the 2020 borrowing process on the [School Finance webpage](#), including the application to request NJDOE approval to enter into short-term financing, if needed, pursuant to *N.J.S.A. 18A:22-44.2*, from the bank of the district's choice, due to the delay in the June 2020 state school aid payments.

The application, to be submitted to the Executive County Superintendent (ECS), 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. Due dates applicable to school districts and the ECS are presented in the table below.

The ECS may 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. Please be advised that to facilitate completion of the application to borrow, the preliminary amount of a district's June 2020 state aid payments will be available from the ECS on May 18, 2020 and the final amount, inclusive of all adjustments, will be available from the ECS by June 3, 2020. Be aware that the June 3, 2020 report of the adjusted state aid payment total is the amount that must be used in comparing the delayed June state aid payments with the amount on line 20 of the cash flow worksheet.

The district's state aid payment is expected to be made to the district's regular state aid bank account on July 10, 2020, but will be made no later than July 13, 2020. This payment must be used to pay off the principal amount borrowed, as approved by the ECS. For borrowing on the June 2020 delayed state aid payments, as in the prior year, the *district* will again be responsible for directly repaying the note to the lending bank. The state will not issue payments to the lending bank.

The state will also pay the interest cost approved by the ECS. Interest payments will be made as an addition to the district's regular state aid payment. Please be aware that in order to be considered for interest repayment by the state, the submission to the ECS must include a written bank proposal from the lending bank. The written bank proposal should state, at a minimum, the principal amount, interest rate, and total interest cost through July 10, 2020 and through July 13, 2020, with a term not to exceed the period June 8, 2020 through July 13, 2020. The ECS will review all interest costs to ensure districts have received the most competitive market rate. Interest costs that exceed a competitive rate may not be approved. In such instances, the ECS may encourage those districts to return to the marketplace to receive a more competitive bank proposal.

Upon receiving approval by the ECS to borrow from a bank, districts should work with the approved bank to borrow an amount within the approved amount. A sample promissory note for use by districts, as well as other related borrowing documents, is posted on the NJDOE's [Finance webpage](#).

Applicable Due Dates:

Activity	Due Date for Borrowing of June 8, 2020 Payment	Due Date for Borrowing of June 22, 2020 Payment
Completed application due to county office <i>(including application form, cash flow worksheet, supporting information, and bank proposal stating interest rate)</i>	May 27, 2020	June 11, 2020
County office decision on applications	June 4, 2020	June 18, 2020
Promissory note due to NJDOE Office of School Finance (refer to questions 26 and 27 in the Borrowing Process Q&A)	June 12, 2020	June 26, 2020

Questions regarding the borrowing process should be directed to the [County Office of Education](#).

- c: Members, State Board of Education
- Lamont O. Repollet, Ed.D., Commissioner
- NJDOE Staff
- Statewide Parent Advocacy Network
- Garden State Coalition of Schools
- NJ LEE Group