



STATE OF NEW JERSEY DEPARTMENT OF EDUCATION

Guidance on 2020-21 Revised State Aid

New Jersey school districts have been advised that revised 2020-21 state aid notices dated July 10, 2020 are available in each school district's "School Aid" folder in the New Jersey Department of Education's [Homeroom](#) web portal. Districts experiencing a decrease in their 2020-21 state aid as compared with the February 27, 2020 state aid notice must recognize the state aid presented on the revised state aid award notice as their 2020-21 budgetary basis state aid revenue and receivable. Districts experiencing no change in their state aid have no entry to be made to the revenue and receivable, and no budgetary action is required.

The original budget certified for taxes remains in place as the budget certified for taxes and that general fund tax levy will be used for all calculations that use the general fund tax levy from the original budget certified for taxes. Districts recognizing a decrease in state aid will reflect the revised state aid as a mid-year budget adjustment. No changes will be made in the district budget statement in the Homeroom budget application.

Reductions in State Aid

Any district notified of a reduction in state aid must reduce its budgetary basis state aid revenue and receivable for 2020-21. Districts experiencing a reduction in state aid have the following options by board of education/trustees resolution (described in greater detail below):

1. Use unassigned general fund surplus to maintain budgeted appropriations; or
2. Request Commissioner approval to withdraw from emergency reserve; or
3. Pursuant to *N.J.A.C. 6A:23A-14.2(d)*, withdraw from maintenance reserve to cover budgeted required maintenance costs; or
4. Reduce appropriations for 2020-21; or
5. A combination of 1, 2, 3, and 4 above.

Each board of education or board of trustees must hold a public meeting to adopt a plan to address the state aid reduction no later than August 14, 2020. This is a tight timeframe, and districts need to act quickly with the impending beginning of the new school year.

All districts that received a reduction in state aid are required to submit the following to the county office **by August 14, 2020**:

- A narrative detailing the budget adjustment plan to be implemented in response to the state aid reduction;
- A listing of reductions to appropriations detailing the line items and accounts impacted by the plan; and
- A copy of the board resolution adopting the plan.

Detailed Description of Options for Reductions in State Aid

1) Use surplus to maintain budgeted appropriations

State aid reductions may be addressed through transfers from unassigned general fund surplus at any time during the budget year as permitted by *N.J.S.A. 18A:22-8.1* and *N.J.A.C. 6A:23A-13.3(b)* and (c). Pursuant to *N.J.S.A. 18A:22-8.1* and *N.J.A.C. 6A:23A-13.3(b)* and (c), NJDOE approval to transfer/increase the amount of unassigned general fund surplus budgeted in the original budget certified for taxes by board resolution on or prior to August 14, 2020 to provide the resources necessary to offset the reduction to 2020-21 state aid has been granted by the Interim Commissioner in his Broadcast dated July 22, 2020.

Requirements for districts choosing to use surplus:

- a) Obtain a board of education/board of school estimate resolution on or prior to August 14, 2020 to increase the use of surplus affirmed by a two-thirds affirmative vote of the authorized membership of the board pursuant to *N.J.S.A. 18A:22-8.1*.
- b) Any appropriated surplus funds that are unexpended/unencumbered and fall to surplus at June 30, 2021 will be included in the audited excess surplus calculation.
- c) Districts electing to transfer/increase the amount of unassigned general fund surplus for use during 2020-21 must include the withdrawal in the “Recapitulation of Balances” section of their 2021-22 budget on line 3 of the 2020-21 column as “Budgeted Withdrawal from Unassigned.” The district must also reduce the amount of state aid recorded in the middle column (2020-21) on the *Revenue* screen.

2) Request Interim Commissioner approval to withdraw from Emergency Reserve

Pursuant to *N.J.A.C. 6A:23A-14.4(a).1.iv*, withdrawals from the emergency reserve require Commissioner approval. Please refer to the [withdrawal guidance for emergency reserve](#).

3) Withdraw from Maintenance Reserve

Pursuant to *N.J.A.C. 6A:23A-14.2(d)*, the district may, by board resolution, withdraw from maintenance reserve in an amount not to exceed the required maintenance costs budgeted on the sum of lines 48580 and 68365, and also in this instance, not to exceed the reduction in state aid.

4) Reduce Appropriations for 2020-21

A district board of education or board of school estimate that was notified of a reduction in state aid may elect to reduce appropriations from the level contained in the original budget certified for taxes. The NJDOE is not requiring these districts to re-enter their revised state aid revenue or appropriations into the 2020-21 Budget Application. The adjustments are mid-year budget adjustments.

Requirements for districts choosing to reduce appropriations:

- a. Transfers from appropriation accounts must be in accordance with *N.J.A.C. 6A:23A-13.3* and executed only by board of education/board of school estimate resolution by **August 14, 2020**.
- b. A list of transfers must be submitted to the county office. Although early submission is encouraged, the list must be submitted electronically to the county office by **August 14, 2020**.
- c. For purposes of the district financial statements, the C-1 (General Fund Budgetary Comparison Schedule), will reflect the decrease to state aid and corresponding revisions to the budget originally certified for taxes as a budget adjustment made during FY 2021.
- d. In the 2021-22 Budget Application, districts must include the revised revenues and appropriations in the appropriate program screens to reflect the revised budget as of February 1, 2021.

5) Combination of alternative revenue sources and/or reduction to appropriations

The NJDOE must verify that school districts have managed the reduction in general fund state aid while maintaining a 2020-21 budget that is sufficient to provide a thorough and efficient (T&E) education for students. Accordingly, districts are required to submit to the County Office the board resolution(s), a detailed narrative explanation of the use of alternative revenue sources and/or reduction to appropriation lines, and list of transfers. Although early submission is encouraged, each item *must* be submitted electronically to the county office by **August 14, 2020**. Any possible next steps after submission to the county office will be communicated at a later date.

All districts that received a reduction in state aid are required to make the adjustments and submissions to the county office that are outlined above.