



STATE OF NEW JERSEY DEPARTMENT OF EDUCATION

A Memo from the New Jersey Department of Education

Date: August 26, 2020
To: Chief School Administrators
Route To: School Business Administrators/Board Secretaries
From: Glenn Forney, Acting Assistant Commissioner
Division of Finance

Process for Filing an Application to Borrow Due to Delay in September 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 P.L. 2020, c.43, from the bank of the district's choice, due to the delay in the September 2020 Choice Aid payments and the September 22, 2020 State aid payments other than Choice Aid. 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. Separate applications must be submitted for the September 2020 Choice Aid and for the September 22, 2020 state aid payment other than Choice Aid. Due dates applicable to school districts and the ECS are presented in the table below.

The ECS may approve loans of up to the lesser of either the amount of the total delayed September 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 September 22, 2020 state aid payments will be available from the ECS on August 27, 2020 and the final amount, inclusive of all adjustments, will be available from the ECS by September 4, 2020. Be aware that the September 4, 2020 report of the adjusted state aid payment total is the amount that must be used in comparing the delayed September 22 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 October 8, 2020 but will be made no later than October 9, 2020. This payment must be used to pay off the principal amount borrowed, as approved by the ECS. For borrowing on the September 2020 delayed state aid payments, the district will 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. For loans of September Choice Aid, the written bank proposal should state, at a minimum, the principal amount, interest rate, and total interest cost through October 8, 2020 and through October 9, 2020 with a term not to exceed the period September 8, 2020 through October 9, 2020. For loans of the September 22 State Aid payments other than Choice Aid, the written bank proposal should state, at a minimum, the principal amount, interest rate, and total interest cost through October 8, 2020 and through October 9, 2020 with a term not to exceed the period September 22, 2020 through October 9, 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 September 2020 Choice Aid Payments	Due Date for Borrowing of September 22, 2020 Payment for Other State Aid
Completed application due to county office <i>(including application form, cash flow worksheet, supporting information, and bank proposal stating interest rate)</i>	August 28, 2020	September 11, 2020
County office decision on applications	September 3, 2020	September 18, 2020
Promissory note due to NJDOE Office of School Finance (Gautam.Nanavati@doe.nj.gov)	September 24, 2020	September 24, 2020

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

- c: Members, State Board of Education
- Kevin Dehmer, Interim Commissioner of Education
- NJDOE Staff
- Statewide Parent Advocacy Network
- Garden State Coalition of Schools
- NJ LEE Group