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P.L. 2003, CHAPTER 97, *approved June 23, 2003*
Assembly Substitute for Assembly Bill No. 3521

1 **AN ACT** concerning borrowing by public school districts and
2 supplementing chapter 22 of Title 18A of the New Jersey Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. a. Notwithstanding any provision of law, rule, or regulation to
8 the contrary, in the event that a State school aid payment for the
9 current school budget year is not made until the following school
10 budget year, the payment shall be recorded as revenue for budget
11 purposes only in the current school budget year.

12 b. Notwithstanding the provisions of N.J.S.18A:22-25 and section
13 1 of P.L.1968, c.384 (C.18A:22-44.1) or any other law, rule, or
14 regulation to the contrary, if a board of education of a school district
15 is notified by the Commissioner of Education that a June State school
16 aid payment will not be made until the following school budget year,
17 and the district demonstrates through a written application to the
18 commissioner the need to borrow and the commissioner approves that
19 application, the board may borrow on or before June 30 of the current
20 school budget year but not earlier than June 22 of the current school
21 budget year a sum not exceeding the amount of the delayed State
22 school aid payment, and may execute and deliver promissory notes
23 therefore through private sale or delivery thereof. The district shall
24 pay the amount so borrowed together with interest thereon and costs
25 thereof. The promissory notes shall mature on or prior to the date of
26 payment of the delayed June State school aid payment, may be
27 redeemable prior to maturity, shall have such terms and conditions as
28 shall be accepted by the board, and shall be authorized by resolution
29 adopted by the board, which resolution may be adopted prior to
30 application to the commissioner contingent upon approval by the
31 commissioner. The amount so borrowed shall constitute a general
32 obligation of the board and shall not constitute gross debt for purposes
33 of N.J.S.40A:2-43.

34 c. If a school district's application to the commissioner contains a
35 determination letter from a lending bank certifying to the interest
36 charges on the borrowing and if the district's application is approved
37 by the commissioner, the State shall pay on behalf of the district the
38 approved interest on the promissory notes in an amount calculated
39 from the date of borrowing through the date of payment by the State
40 of the delayed June State school aid payment and other approved costs
41 of issuance. Any obligations of the State to make payments pursuant
42 to this section shall not constitute a general obligation of the State or
43 a debt or a liability within the meaning of the State Constitution. Any
44 payments required to be made by the State pursuant to this section

1 shall be subject to appropriation.

2 d. Each school district which issues promissory notes pursuant to
3 this section shall certify to the State Treasurer the name and address
4 of the paying agent, the maturity schedule, interest rate, and date of
5 payment of debt service on the promissory notes within three days
6 after the date of issuance of the promissory notes. Following receipt
7 of the certification, the State Treasurer shall withhold from the amount
8 of State school aid payable to the district an amount sufficient to pay
9 the principal on the maturity date of the promissory notes. In the
10 event that there are interest or issuance costs which are not approved
11 by the commissioner pursuant to subsection c. of this section, the State
12 Treasurer shall also withhold an amount sufficient to pay those
13 unapproved costs. The State Treasurer shall, on or before the
14 maturity date, forward the withheld amount to the paying agent for the
15 purpose of paying the debt service on the promissory notes.
16 Notwithstanding any provision of this section to the contrary, the
17 State Treasurer's obligation to pay the paying agent pursuant to this
18 subsection, other than those payments required to be made pursuant
19 to subsection c. of this section, shall not exceed the amount of State
20 school aid payable to the school district or the municipality.

21 e. Any negative unreserved, undesignated general fund balance
22 that may be recorded as a direct result of a State aid payment for the
23 current school budget year which is not made until the following
24 school budget year shall not be considered a violation of any law or
25 regulation and in need of corrective action.

26 f. The State Treasurer may, at his discretion, establish procedures
27 and forms necessary to implement the provisions of this section. The
28 State Treasurer may also adopt, pursuant to the "Administrative
29 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
30 regulations necessary to implement the provisions of this section.

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32 2. This act shall take effect immediately.

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STATEMENT

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37 This Assembly substitute provides that in the event that a State
38 school aid payment for the current school budget year is not made
39 until the following school budget year, the payment will be recorded
40 as a revenue for budget purposes only in the current school budget
41 year.

42 Under the substitute's provisions, if a board of education is notified
43 by the Commissioner of Education that a June State school aid
44 payment will not be made until the following school budget year, and
45 the district demonstrates through a written application to the
46 commissioner the need to borrow and the commissioner approves the

1 application, the board may borrow on or before June 30, but not
2 earlier than June 22, of the current school budget year, a sum not
3 exceeding the amount of the delayed State school aid payment. If a
4 district's application contains a determination letter from a bank
5 certifying the interest charges on the borrowing and if the district's
6 application is approved by the commissioner, the State will pay on
7 behalf of the district the approved interest on the promissory notes and
8 other approved costs of borrowing. The interest to be paid by the
9 State will be calculated from the date of borrowing through the date
10 of payment of the delayed June State school aid payment.

11 Within three days of issuance of the promissory notes, a school
12 district will be required to certify to the State Treasurer the name and
13 address of the paying agent, the maturity schedule, interest rate, and
14 date of payment of debt service on the notes. Following receipt of the
15 certification, the State Treasurer will withhold from the State school
16 aid payable to the district an amount sufficient to pay the principal on
17 the maturity date of the promissory notes. In the event that there are
18 interest or issuance costs which are not approved by the commissioner,
19 the State Treasurer will also withhold an amount sufficient to pay
20 those unapproved costs. The State Treasurer will forward the
21 withheld amount on or before the maturity date of the notes for the
22 purpose of paying the debt service.

23 The substitute specifies that the obligation of the State to make
24 payments in accordance with the substitute's provisions will not
25 constitute a general obligation of the State or a debt or liability within
26 the meaning of the State Constitution; and that payments required
27 under the substitute are subject to appropriation.

28 Finally, the substitute stipulates that any negative unreserved,
29 undesignated general fund balance that may occur as a direct result of
30 a current school budget year State aid payment being delayed until the
31 following school budget year will not be considered a violation of any
32 law or regulation.

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37 _____
38 Authorizes borrowing by public school district between June 22 and
June 30 of the school budget year in certain circumstances.

ASSEMBLY, No. 3521

STATE OF NEW JERSEY

210th LEGISLATURE

INTRODUCED MAY 5, 2003

Sponsored by:

Assemblyman LOUIS D. GREENWALD

District 6 (Camden)

Assemblywoman BONNIE WATSON COLEMAN

District 15 (Mercer)

Co-Sponsored by:

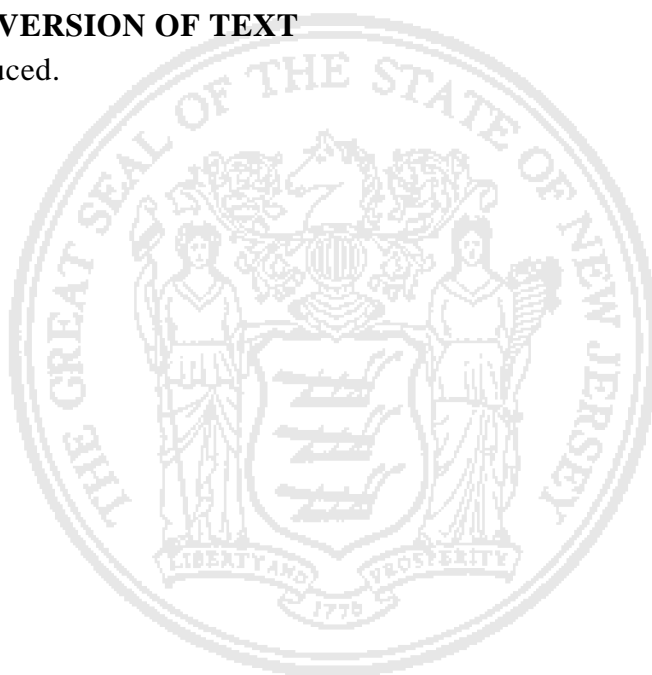
Assemblyman Cryan

SYNOPSIS

Authorizes borrowing by public school district between June 22 and June 30 of the school budget year in certain circumstances.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning borrowing by public school districts and
2 supplementing chapter 22 of Title 18A of the New Jersey Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. a. Notwithstanding any provision of law, rule, or regulation to
8 the contrary, in the event that a State school aid payment for the
9 current school budget year is not made until the following school
10 budget year, the payment shall be recorded as revenue in the current
11 school budget year.

12 b. Notwithstanding the provisions of N.J.S.18A:22-25 and section
13 1 of P.L.1968, c.384 (C.18A:22-44.1) or any other law, rule, or
14 regulation to the contrary, if a board of education of a school district
15 is notified by the Commissioner of Education that a June State school
16 aid payment will not be made until the following school budget year,
17 and the district demonstrates through a written request to the
18 commissioner the need to borrow and the commissioner approves that
19 request, the board may borrow on or before June 30 of the current
20 school budget year but no earlier than June 22 of the current school
21 budget year a sum not exceeding the amount of the State school aid
22 payment to be delayed until the following school budget year, and may
23 execute and deliver promissory notes therefore through private sale or
24 delivery thereof, and pay the amount so borrowed together with
25 interest thereon and costs thereof. The promissory notes shall mature
26 on or prior to the date of payment of the delayed June State school aid
27 payment, may be redeemable prior to maturity, shall have such terms
28 and conditions as shall be accepted by the board, and shall be
29 authorized by resolution adopted by the issuing board, which
30 resolution may be adopted prior to application to the commissioner
31 contingent upon approval by the commissioner. The amount borrowed
32 shall not constitute gross debt for purposes of N.J.S.40A:2-43.

33 c. If a school district's application to the commissioner contains a
34 determination letter from a lending bank certifying to the interest
35 charges on the borrowing and if the district's application is approved
36 by the commissioner, the State shall reimburse the district for the
37 interest on the promissory notes in an amount calculated from the
38 originally scheduled payment date for the June State school aid
39 payment through the date of payment by the State of the delayed June
40 State school aid payment and for other approved costs of issuance.
41 Any obligations of the State to make payments pursuant to this section
42 shall not constitute a general obligation of the State or a debt or a
43 liability within the meaning of the State Constitution. Any payments
44 required to be made by the State pursuant to this section shall be
45 subject to appropriation.

46 d. Each school district which issues promissory notes pursuant to

1 this section shall certify to the State Treasurer the name and address
2 of the paying agent, the maturity schedule, interest rate, and date of
3 payment of debt service on the promissory notes within three days
4 after the date of issuance of the promissory notes. Following receipt
5 of the certification, the State Treasurer shall withhold from the amount
6 of State school aid payable to the district an amount of State school
7 aid sufficient to pay the principal on the maturity date of the
8 promissory notes and any interest costs not eligible for payment by the
9 State pursuant to subsection c. of this section. The State Treasurer
10 shall, on or before the maturity date, forward the withheld amount,
11 plus any sums required to be paid pursuant to subsection c. of this
12 section, to the paying agent for the promissory notes for deposit to the
13 account established with the payment for the purpose of paying the
14 debt service on the promissory notes. Notwithstanding any provision
15 of this section to the contrary, the State Treasurer's obligation to pay
16 the paying agent pursuant to this subsection, other than those
17 payments required to be made pursuant to subsection c. of this section,
18 shall not extend beyond the amount of State school aid payable to the
19 school district or the municipality.

20 e. Any negative unreserved, undesignated general fund balance that
21 may be recorded as a direct result of a State aid payment for the
22 current school budget year which is not made until the following
23 school budget year shall not be considered a violation of any law or
24 regulation and in need of corrective action.

25 f. The State Treasurer may, at his discretion, establish procedures
26 and forms necessary to implement the provisions of this section. The
27 State Treasurer may also adopt, pursuant to the "Administrative
28 Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), rules and
29 regulations necessary to implement the provisions of this section.

30

31 2. This act shall take effect immediately.

32

33

34

STATEMENT

35

36 This bill provides that in the event that a State school aid payment
37 for the current school budget year is not made until the following
38 school budget year, the payment will be recorded as a revenue in the
39 current school budget year.

40 Under the bill's provisions, if a board of education is notified by the
41 Commissioner of Education that a June State school aid payment will
42 not be made until the following school budget year, and the district
43 demonstrates through a written request to the commissioner the need
44 to borrow and the commissioner approves the request, the board may
45 borrow on or before June 30, but no earlier than June 22, of the
46 current school budget year, a sum not exceeding the amount of the

1 delayed State school aid payment. If a district's application to the
2 commissioner contains a determination letter from a bank certifying
3 the interest charges on the borrowing, the State will reimburse the
4 district for the interest on the promissory notes in an amount
5 calculated from the date of the originally scheduled delayed June
6 school aid payment and the actual date of the payment. The State will
7 also reimburse the district for other approved issuance costs.

8 Within three days of issuance of the promissory notes, a school
9 district will be required to certify to the State Treasurer the name and
10 address of the paying agent, the maturity schedule, interest rate, and
11 date of payment of debt service on the notes. Following receipt of the
12 certification, the State Treasurer will withhold from the State school
13 aid payable to the district an amount sufficient to pay the principal on
14 the maturity date of the promissory notes and any interest costs not
15 eligible for payment by the State. The State Treasurer will forward the
16 withheld amount on or before the maturity date of the notes for the
17 purpose of paying the debt service.

18 The bill specifies that the obligation of the State to make payments
19 in accordance with the bill's provisions will not constitute a general
20 obligation of the State or a debt or liability within the meaning of the
21 State Constitution; and that payments required under the bill are
22 subject to appropriation.

23 Finally, the bill stipulates that any negative unreserved,
24 undesignated general fund balance that may occur as a direct result of
25 a current school budget year State aid payment being delayed until the
26 following school budget year will not be considered a violation of any
27 law or regulation.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3521

STATE OF NEW JERSEY

DATED: MAY 5, 2003

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3521.

Assembly Bill No. 3521 provides that in the event that a State school aid payment for the current school budget year is not made until the following school budget year, the payment will be recorded as a revenue in the current school budget year.

Under the bill's provisions, if a board of education is notified by the Commissioner of Education that a June State school aid payment will not be made until the following school budget year, and the district demonstrates through a written request to the commissioner the need to borrow and the commissioner approves the request, the board may borrow on or before June 30, but no earlier than June 22, of the current school budget year, a sum not exceeding the amount of the delayed State school aid payment. If a district's application to the commissioner contains a determination letter from a bank certifying the interest charges on the borrowing, the State will reimburse the district for the interest on the promissory notes in an amount calculated from the date of the originally scheduled delayed June school aid payment and the actual date of the payment. The State will also reimburse the district for other approved issuance costs.

Within three days of issuance of the promissory notes, a school district will be required to certify to the State Treasurer the name and address of the paying agent, the maturity schedule, interest rate, and date of payment of debt service on the notes. Following receipt of the certification, the State Treasurer will withhold from the State school aid payable to the district an amount sufficient to pay the principal on the maturity date of the promissory notes and any interest costs not eligible for payment by the State. The State Treasurer will forward the withheld amount on or before the maturity date of the notes for the purpose of paying the debt service.

The bill specifies that the obligation of the State to make payments in accordance with the bill's provisions will not constitute a general obligation of the State or a debt or liability within the meaning of the State Constitution; and that payments required under the bill are subject to appropriation.

Finally, the bill stipulates that any negative unreserved, undesignated general fund balance that may occur as a direct result of

a current school budget year State aid payment being delayed until the following school budget year will not be considered a violation of any law or regulation.

FISCAL IMPACT:

The Governor's proposed budget for State fiscal year 2003-2004 proposes to delay the June 22, 2003 State aid payment to school districts until after June 30, 2003 and proposes to appropriate that amount for payment in State fiscal year 2003-2004.

According to information supplied by the Department of Education, about 64 school districts, based upon projections by the school districts, may have insufficient funds to meet their June contractual obligations prior to receiving the "June" payment in July. These projected insufficiencies sum to about \$60 million. The Department of Education has noted that several banks have expressed interest in making the short term loans and that "the State is willing to make the July payment directly to such banks if needed."

The Office of Legislative Services has insufficient information to evaluate the total short term indebtedness, loan origination costs and interest costs for which the State incurs liability under the bill, but notes that the departmental proposal to directly repay a bank or banks suggests a consolidation of the indebtedness, which will reduce origination costs and could also reduce interest costs.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY SUBSTITUTE FOR ASSEMBLY, No. 3521

STATE OF NEW JERSEY

DATED: JUNE 16, 2003

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 3521 AS.

This bill provides that if a State school aid payment for a particular school budget year is not made until the following school budget year, the payment will be recorded as a revenue for budget purposes in the current school budget year.

Under the bill, if a board of education is notified by the Commissioner of Education that a June State school aid payment will not be made until the following school budget year, and the district demonstrates through a written application to the commissioner the need to borrow and the commissioner approves the application, the board may borrow on or before June 30, but not earlier than June 22, of the current school budget year, a sum not exceeding the amount of the delayed State school aid payment. If a district's application contains a determination letter from a bank certifying the interest charges on the borrowing and if the district's application is approved by the commissioner, the State will pay on behalf of the district the approved interest on the promissory notes and other approved costs of borrowing. The interest to be paid by the State will be calculated from the date of borrowing through the date of payment of the delayed June State school aid.

Within three days of issuance of the promissory notes, a school district will be required to certify to the State Treasurer the name and address of the paying agent, the maturity schedule, interest rate, and date of payment of debt service on the notes. Following receipt of the certification, the State Treasurer will withhold from the State school aid payable to the district an amount sufficient to pay the principal on the maturity date of the promissory notes. In the event that there are interest or issuance costs which are not approved by the commissioner, the State Treasurer will also withhold an amount sufficient to pay those unapproved costs. The State Treasurer will forward the withheld amount on or before the maturity date of the notes for the purpose of paying the debt service.

The bill specifies that the obligation of the State to make payments in accordance with the substitute's provisions will not constitute a

general obligation of the State or a debt or liability within the meaning of the State Constitution; and that payments required under the substitute are subject to appropriation.

Finally, the bill stipulates that any negative unreserved, undesignated general fund balance that may occur as a direct result of a current school budget year State aid payment being delayed until the following school budget year will not be considered a violation of any law or regulation.

The provisions of this bill are identical to those of Senate Bill No. 2492 (1R).

FISCAL IMPACT

The Governor's proposed budget for State FY2003-04 proposes to delay the June 22, 2003 State aid payment to school districts until after June 30, 2003 and to appropriate the amount instead for payment in State FY2003-04.

According to information supplied by the Department of Education, about 21 school districts may have insufficient funds to meet their June contractual obligations prior to receiving the "June" payment in July. These total amount of these projected insufficiencies is about \$54 million. The approved annual rate of interest, upon which State aid for debt service on school district borrowing under the bill will be based, is 3.5 percent; this rate of interest includes lenders' administrative costs. The total debt service cost for these loans at this rate of interest is about \$58,000; that amount represents the State's maximum exposure for payment of school loan subsidy aid under the bill.

SENATE, No. 2492

STATE OF NEW JERSEY
210th LEGISLATURE

INTRODUCED MAY 8, 2003

Sponsored by:

Senator WAYNE R. BRYANT

District 5 (Camden and Gloucester)

SYNOPSIS

Authorizes borrowing by public school districts until June 30 of the school budget year in certain circumstances.

CURRENT VERSION OF TEXT

As introduced.



S2492 BRYANT

2

1 AN ACT concerning borrowing by public school districts and
2 supplementing chapter 22 of Title 18A of the New Jersey Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6

7 1. a. Notwithstanding any provision of law, rule, or regulation to
8 the contrary, in the event that a State aid payment for the current
9 school budget year is not made until the following school budget year,
10 the payment shall be recorded as revenue in the current school budget
11 year.

12 b. Notwithstanding the provisions of N.J.S.18A:22-25 and section
13 1 of P.L.1968, c.384 (C.18A:22-44.1) or any other law, rule, or
14 regulation to the contrary, when the board of education of a school
15 district demonstrates through a written request to the Commissioner
16 of Education the need to borrow and the commissioner approves that
17 request, the board may borrow through June 30 of the current school
18 budget year, a sum not exceeding the amount of the State aid payment
19 to be delayed until the following school budget year, and may execute
20 and deliver promissory notes therefor, and pay the amount so
21 borrowed together with interest thereon at a rate not exceeding 6%
22 per annum. The State shall reimburse the district for the interest on
23 the amount borrowed and for any other approved borrowing costs.

24 c. Any negative unreserved, undesignated general fund balance that
25 may be recorded as a direct result of a State aid payment for the
26 current school budget year which is not made until the following
27 school budget year shall not be considered a violation of any law or
28 regulation and in need of corrective action.

29

30 2. This act shall take effect immediately.

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STATEMENT

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35 This bill provides that in the event that a State aid payment for the
36 current school budget year is not made until the following school
37 budget year, the payment will be recorded as a revenue in the current
38 school budget year. The bill also provides that when a board of
39 education demonstrates through a written request to the Commissioner
40 of Education the need to borrow and the commissioner approves the
41 request, the board may borrow through June 30 of the current school
42 budget year, a sum which does not exceed the amount of the delayed
43 State aid payment. The State will reimburse the district for the
44 interest on the amount borrowed and for any other approved
45 borrowing costs. Finally, the bill stipulates that any negative

S2492 BRYANT

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- 1 unreserved, undesignated general fund balance that may occur as a
- 2 direct result of a current school budget year State aid payment being
- 3 delayed until the following school budget year will not be considered
- 4 a violation of any law or regulation.

SENATE EDUCATION COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2492**

STATE OF NEW JERSEY

DATED: MAY 8, 2003

The Senate Education Committee reports favorably a Committee Substitute for Senate Bill No. 2492.

This committee substitute provides that in the event that a State school aid payment for the current school budget year is not made until the following school budget year, the payment will be recorded as a revenue in the current school budget year.

Under the substitute's provisions, if a board of education is notified by the Commissioner of Education that a June State school aid payment will not be made until the following school budget year, and the district demonstrates through a written application to the commissioner the need to borrow and the commissioner approves the application, the board may borrow on or before June 30, but not earlier than June 22, of the current school budget year, a sum not exceeding the amount of the delayed State school aid payment. If a district's application contains a determination letter from a bank certifying the interest charges on the borrowing and if the district's application is approved by the commissioner, the State will pay on behalf of the district the approved interest on the promissory notes and other approved costs of borrowing. The interest to be paid by the State will be calculated from the date of borrowing through the date of payment of the delayed June State school aid.

Within three days of issuance of the promissory notes, a school district will be required to certify to the State Treasurer the name and address of the paying agent, the maturity schedule, interest rate, and date of payment of debt service on the notes. Following receipt of the certification, the State Treasurer will withhold from the State school aid payable to the district an amount sufficient to pay the principal on the maturity date of the promissory notes. In the event that there are interest or issuance costs which are not approved by the commissioner, the State Treasurer will also withhold an amount sufficient to pay those unapproved costs. The State Treasurer will forward the withheld amount on or before the maturity date of the notes for the purpose of paying the debt service.

The substitute specifies that the obligation of the State to make payments in accordance with the substitute's provisions will not

constitute a general obligation of the State or a debt or liability within the meaning of the State Constitution; and that payments required under the substitute are subject to appropriation.

Finally, the substitute stipulates that any negative unreserved, undesignated general fund balance that may occur as a direct result of a current school budget year State aid payment being delayed until the following school budget year will not be considered a violation of any law or regulation.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 2492**

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 12, 2003

The Senate Budget and Appropriations Committee reports favorably and with committee amendments Senate Bill No. 2492 SCS.

This bill provides that if a State school aid payment for a particular school budget year is not made until the following school budget year, the payment will be recorded as a revenue for budget purposes in the current school budget year.

Under the bill, if a board of education is notified by the Commissioner of Education that a June State school aid payment will not be made until the following school budget year, and the district demonstrates through a written application to the commissioner the need to borrow and the commissioner approves the application, the board may borrow on or before June 30, but not earlier than June 22, of the current school budget year, a sum not exceeding the amount of the delayed State school aid payment. If a district's application contains a determination letter from a bank certifying the interest charges on the borrowing and if the district's application is approved by the commissioner, the State will pay on behalf of the district the approved interest on the promissory notes and other approved costs of borrowing. The interest to be paid by the State will be calculated from the date of borrowing through the date of payment of the delayed June State school aid.

Within three days of issuance of the promissory notes, a school district will be required to certify to the State Treasurer the name and address of the paying agent, the maturity schedule, interest rate, and date of payment of debt service on the notes. Following receipt of the certification, the State Treasurer will withhold from the State school aid payable to the district an amount sufficient to pay the principal on the maturity date of the promissory notes. In the event that there are interest or issuance costs which are not approved by the commissioner, the State Treasurer will also withhold an amount sufficient to pay those unapproved costs. The State Treasurer will forward the withheld amount on or before the maturity date of the notes for the purpose of paying the debt service.

The bill specifies that the obligation of the State to make payments in accordance with the substitute's provisions will not constitute a general obligation of the State or a debt or liability within the meaning of the State Constitution; and that payments required under the substitute are subject to appropriation.

Finally, the bill stipulates that any negative unreserved, undesignated general fund balance that may occur as a direct result of a current school budget year State aid payment being delayed until the following school budget year will not be considered a violation of any law or regulation.

COMMITTEE AMENDMENTS

Committee amendments clarify the intended treatment of the deferred payment for school budget purposes

FISCAL IMPACT

The Governor's proposed budget for State FY2003-04 proposes to delay the June 22, 2003 State aid payment to school districts until after June 30, 2003 and to appropriate the amount instead for payment in State FY2003-04.

According to information supplied by the Department of Education, about 21 school districts may have insufficient funds to meet their June contractual obligations prior to receiving the "June" payment in July. These total amount of these projected insufficiencies is about \$54 million. The approved annual rate of interest, upon which State aid for debt service on school district borrowing under the bill will be based, is 3.5 percent; this rate of interest includes lenders' administrative costs. The total debt service cost for these loans at this rate of interest is about \$58,000; that amount represents the State's maximum exposure for payment of school loan subsidy aid under the bill.