

State to Reduce Aid to Schools

On Friday, May 22, 2020, the State Treasurer announced that Governor Murphy is removing **ALL** of the additional State school aid to school districts that was included in the February 2020 Proposed Budget **AND** delaying the September State aid payments until October 2020. The Governor has proposed re-running the School Funding Reform Act Formula using the total amount of State funding allocated for the 2019-2020 for the 2020-2021 year in order to address the extended State Fiscal Year Budget through September 30, 2020 and, in part, the currently anticipated projected budget revenue shortfalls for FY 2020 and FY 2021 to be approximately \$9.939 Billion. Although the State has removed the proposed additional State dollars, not all school district State funding will remain flat. According to the revised State aid distribution published by the Department of Education on May 28, 2020, the State funding will be redistributed so that “overfunded districts would still receive a State aid reduction equal to 23 percent of the amount by which they are overfunded, in accordance with S-2, and that \$156.4 million would be used to provide aid increases to underfunded districts.”

In the **Report on the Financial Condition of the State Budget for Fiscal Years 2020 and 2021**, the State Treasurer presented an assessment of the fiscal condition of the State budget and the impact of the state of emergency on essential governmental services including school districts. The report provides an update of State revenue for the first nine months of the current fiscal year, along with revised revenue forecasts through September 30, 2020 (“Extended FY 2020”). The Report contains a detailed spending plan for the remainder of Extended FY 2020, including but not limited to school aid, and an assessment of the current economic conditions on the proposed State budget for Fiscal Year 2021. According to the Report:

Notably for the supplemental budget, the Governor proposes:

Continuing to implement the school funding formula designed in partnership with the Legislature without any additional funding over FY 2020, and delaying the September 22 school aid payment into October.

It is critical to note that the Report only covers the period through September 30, 2020 – the Extended State FY 2020. It does not provide a proposed budget for the State budget from October 1, 2020 through June 30, 2021 and DOES NOT assume a second wave of COVID-19 including any associated financial impact on the State Budget. The Department

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of Education has issued the revised State aid for all school districts at: <https://www.nj.gov/education/stateaid/2021/revised.shtml>.

The statutory fiscal year for school districts July 1 through June 30 has not been changed. The Department of Education has not yet issued guidance on the timing for budget modifications for those Districts that anticipated State Aid increases for the upcoming school year.

The Busch Law Group is monitoring the new laws and guidance and will continue to provide legal updates on this and other significant COVID-19 related issues as necessary. Should you have any questions or concerns, the attorneys at The Busch Law Group are always available to assist you.

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