July 17, 2017

Re: Impact of FY2018 Increase in School Aid to Certain Districts

Dear Mayor,

The Division of Local Government Services has sent a Memorandum to your Chief Financial Officer, Tax Collector, and Municipal Clerk addressing the impact the FY18 increase in School Aid to certain districts may have on property tax bills along with the process school districts must follow if they are going to reconsider their 2017-2018 school budgets. The K-12 FY18 School State Aid by school districts is available as a pdf or by search. Click here for the DLGS memo.

We suggest speaking immediately to your Administrator/Manager and Chief Financial Officer to determine the impact of the guidance provided by the State agencies. In particular, depending on how the school district proceeds, it could create short-term cash flow issues coupled with the statutory deadline for payment to school districts of their levy.

Boards of education, except county vocations schools, which have received an increase in School Aid are being permitted to reconsider their 2017-2018 budgets. They have the option to either reduce their property tax levies in an amount not to exceed the increase to their State aid or to increase their general fund appropriations for their current fiscal year. These boards of education are being instructed to immediately contact their municipal tax collector and county tax administrator to confirm whether or not the revisions and reissuance of property tax bills would be fiscally prudent. If the municipality agrees to accommodate a revised property tax bill, the school district must revise and submit the general fund tax certification no later than 4:00 p.m. on Friday, July 21, 2017, unless the municipality and school district agree to a later date.

The guidance provided by the DLGS and the Department of Education (DOE) does not directly address what happens if the municipality and school district disagree on the issuance of revised bills. The language in the DLGS guidance states, "*If a municipality agrees to accommodate a revision of tax bills*…" The language in the DOE guidance states, "*If the municipality and/or county is able to accommodate a request to revise tax bills and the revision is fiscally prudent*…"

One may infer that the change in tax bills must be done with the approval or consent of the municipality and/or county, but the language is vague and subject to other interpretation. As a

result, we would suggest that if there a disagreement between the local governments that you contact the DLGS for further guidance.

A delay in the issuance of the tax bills could result in short-term cash-flow issues. The DLGS notice highlights that N.J.S.A. 54:4-74 (counties) and 54:4-75 (schools) allow tax payments to be deferred until after 25 days from the time tax bills are mailed, or no later than September 15 for counties and September 1 for schools. They are urging local officials to work together to review cash flow needs, which include the payments to the county, boards of education, and any other local taxing districts, and where possible, modify existing payment schedules to accommodate the possible restricted cash flow of the municipality. The Division also reminds municipalities that under certain circumstances they can issue a Tax Anticipation Note (TAN) to address shortterm cash flow issues and meet the statutory deadlines for remittance of school and county tax levies. If you consider issuing TANs be sure to discuss the costs of that with your CFO and Manager/Administrator.

Sincerely,

Michael J. Darcy, CAE
Executive Director