



State of New Jersey

DEPARTMENT OF EDUCATION

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Commissioner

March 26, 2013

TO: Chief School Administrators
Charter School Lead Persons

FROM: Christopher D. Cerf
Commissioner

Handwritten signature of Christopher D. Cerf in black ink.

SUBJECT: **Community Disaster Loan (CDL) Program**

As noted in the Department of Education's ("DOE") February 19 Broadcast, one of the most serious challenges facing many of our school districts is the impending decline in property and other local tax revenues within our local municipalities. The Federal Emergency Management Administration's ("FEMA") Community Disaster Loan ("CDL") program aims to assist school districts and other government entities experiencing or expecting to experience significant declines in tax and other fee revenue. Taking action to address this challenge, Governor Chris Christie signed Executive Order No. 128 ("EO 128") on March 15, 2013, requiring those school districts that can meet the CDL program eligibility requirements to apply for a loan. Pursuant to EO 128, I hereby direct every school district whose municipality has applied for the CDL program to also apply for the program. This does not preclude a school district whose municipality is not applying to this program from applying. (<http://nj.gov/infobank/circular/eocc128.pdf>.)

Districts that intend to apply for the CDL program must notify Jim Palmer (james.palmer@doe.state.nj.us) of the DOE by April 8, 2013. These districts are required to submit the necessary documentation to, and meet with, FEMA by April 30, 2013.

To assist school districts in navigating the CDL application and submission process, the Department would like to clarify a number of concerns raised by the field. One concern raised by districts is the negative fiscal implications that will result when a district's adjusted tax levy is calculated pursuant to N.J.S.A. 18A:7F-38 upon receiving a CDL loan. Pursuant to the authority granted in EO 128, for a district receiving a CDL, I hereby authorize those districts to assume the adjusted tax levy to be equal to the prior year's levy (ie, pre-Superstorm Sandy). This will ensure that districts applying for a CDL will not be adversely impacted in the calculation of their levy growth limitation. To offset any reduction of the general fund tax levy, districts should work directly with their municipality to plan for any such reduction, including how CDL funds can be used as an offset. Note: CDL funds cannot be used for capital projects.

A second concern raised by districts involves the repayment of a CDL. Notwithstanding the provisions of N.J.S.A. 18A:7F-45, repayment of principal and interest for a CDL will be made through the debt service tax levy when due in five years, unless extended or forgiven, and not through the general fund operating expense budget which is subject to the 2% tax levy increase cap. Therefore, costs associated with a CDL will not

impact a district's 2% levy cap. Also, pursuant to EO 128, the Commissioner hereby waives any obligation under N.J.S.A. 18A:22-41, requiring voter approval, for districts that borrow under the CDL program.

Finally, questions have arisen concerning the CDL application and submission process.

Upon notification by the municipality of a reduction in school district's tax levy payment, the Board of Education (BOE) should adopt a resolution, by majority vote, to apply for the maximum amount of the CDL which would be 25% of a district's general fund revenue up to the maximum of \$5M. For example, a district with a \$10M budget would be eligible for up to 25% of the budgeted revenues, or \$2.5M, while a district with a \$100M budget would be eligible for \$5M (the maximum amount of the loan). School districts are strongly encouraged to apply for the entire amount of the approved CDL, particularly when tax collections are significantly lower than anticipated. Once a district is approved for a CDL, the district is not required to draw down funds unless and until the funds are needed to mitigate any loss due to reductions in levy. Upon approval of the CDL by FEMA, the BOE should adopt a resolution to accept the funds and approve the revised A4F in time for the tax levy to be struck. In the event that the BOE is not scheduled to meet prior to submitting the revised A4F, the school business administrator will recertify the A4F prior to BOE approval. Districts should consult with the county board of taxation on the timing for a recertification. Districts should proceed with the normal budget adoption as budgets can be amended at a later date pending approval of the CDL.

Please note that the Department of Education will hold an information session on Thursday, April 4, 2013, starting at 1pm, at Middletown High School North, 63 Tindall Rd. in Middletown to address questions regarding the CDL program and to provide further guidance to districts. Representatives of FEMA and the Department will be available to answer questions and assist with the application process at that time. Any further questions concerning this program should also be directed at Jim Palmer at the above-mail address or by phone at 609-292-3276.

CDC/jp

Attachment

c: Members, State Board of Education
Senior Staff
Executive County Superintendants
Executive County School Business Administrators
Lee Group