

Prior Year Claims Reimbursement S.4476 (Akshar)/A.6710 (Lupardo)

THE COUNCIL SUPPORTS legislation to expedite the rate at which the prior year claims list is paid down without additional state appropriations

This legislation would expedite paying back school districts over **\$330 million** in overdue state aid by requiring the State Education Department to offset any state aid recoveries from a school district with outstanding funds owed to the district from the state's prior year claims list, regardless of the district's priority status.

When it is discovered that a school district has been over-paid in state aid, the state customarily recovers the overpayment within three years. Conversely, when an adjustment results in additional aid owed to a district, the district can expect to wait over 15 years to receive payment.

The prior year claims list was established to pay districts School Aid that the Comptroller and Education Department have determined to be owed by the state. Due to the complex nature of expense-based aid filing requirements and previous Transportation Aid and Building Aid forgiveness legislation, the prior year claims list establishes a priority order by which districts will be reimbursed for duly owed funds. At the present time, over \$300 million is owed to districts would take over 15 years to pay back because of an annual appropriation that reimburses districts approximately \$18 million per year. This appropriation is in fact used to reimburse school districts for funds that had already been appropriated in prior years.

This legislation recognizes the critical need to restore these promised funds to school districts in a more rapid manner, while at the same time being cognizant of the state's short and long-term budgetary concerns. This bill strikes the necessary balance in a manner that will not require increasing the annual appropriation and ensure that districts that have been assessed penalties or had aid reduced due to an overpayment, are made whole much sooner than under the current construct.

The Council and other public-school groups have advocated for the state to use funds from recent large settlements with financial institutions to expedite payment of prior year adjustments – using a one-time resource to eliminate a one-time backlog. The Legislature and the Governor have not adopted that option; this legislation is the next best option, and a feasible one.

The Council supports this legislation and urges its approval.