

Prior Year Claims Payback

S.4476 (Akshar)

THE COUNCIL SUPPORTS this legislation to expedite the rate at which the prior year claims list is paid down without negatively impacting the state's financial plan.

This legislation would expedite paying back school districts approximately **\$350 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.

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 statutorily owed funding that was not delivered on an expected schedule to a district. 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, the \$350 million owed to districts would take over 15 years to pay back because of paltry annual appropriations for these claims.

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 disturb the state's financial framework and reduces negative impacts of mid-year state aid adjustments that become necessary if a district has been overpaid.

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.