



Prior Year Aid Claims

Education, Labor and Family Assistance, Part A (A.9506-A) / Part A-1 (S.7506-A)

Expense-based aids are not always paid to districts on the expected schedule. There are a variety of reasons why this may happen, but frequently updated cost data or a simple clerical error is to blame. In many circumstances, districts are still eligible for the state aid, but on a delayed payment schedule. The State Education Department has an approval process for authorizing these payments and the state has committed to honoring them. Upon approval, these “prior year aid claims” are placed on a list for payment in the order they were received and approved.

Currently, that list includes more than 4,500 individual claims, totaling nearly \$350 million, the majority of which is due to average and high-need districts. Unfortunately, the state’s budget has traditionally included less than \$20 million per year to make those payments. In recent years, the level of funding provided by the state has failed to meet the rate of growth of approved prior year aid claims. At the current rate of repayment, districts added to the list this year will have to wait more than fifteen years before receiving these payments for expenses already incurred. This means a student entering kindergarten when a claim is approved will have already graduated high school by the time the state funds the obligation for his/her district.

The Educational Conference Board (ECB) supports a sensible plan to accelerate payment against the backlog of these claims. For example, the state could use school aid overpayment deductions to fund the prior year aid claim obligations. Each year, the state takes back up to \$50 million statewide from school districts, due to overpayments. Instead of being used to fund school districts, for which the funds have already been approved by the state, the overpayments are swept back into the state’s general fund.

The Assembly and Senate have included variations of this idea in their one-house budgets. The Assembly would use the entirety of the overpayment deductions as an additional revenue source to make payments against the list in the existing chronological fashion. The Senate would apply potential overpayment deductions against any outstanding claims on the list that the individual district may have. Either of these plans would be significantly more beneficial than the status quo.

The ECB urges the enactment of a prior year aid claims plan in order to prevent further financial burdens on school districts, their students and their taxpayers. State aid overpayment deductions are funds that have already been appropriated in support of education. They serve as a reasonable and fiscally responsible way to address this growing issue.