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FINAL ADJUSTMENTS, UPCOMING OVERPAYMENT DEDUCTIONS & SUPPLEMENTAL PAYMENTS FOR STATE AID CLAIM YEARS 2002-03 THROUGH 2007-08

Timing & amounts of upcoming supplementals / overpayment deductions for aid year 2002-03

With the exception of a few districts, the review of state aid claims for the 2002-03 aid year is complete. Your district will receive notice of the exact amount of the final adjustment for that aid year very shortly. Notification of General Aid adjustments and Excess Cost Aid adjustments will be sent on two separate forms: SA32 and SA32EC; however, overpayments in both areas, if applicable, will be combined and deducted from general aid, and supplemental payments (if applicable) will be paid when funds are available. However, supplemental payments and overpayments will not be netted out; i.e., if the district has a supplemental general aid payment and an excess cost aid overpayment, the full overpayment will be deducted from the upcoming aid payment, and the full supplemental will be paid separately. The district will receive a final adjustment mailing, even if no supplemental or overpayment for the aid year is forthcoming.

Overpayments of 2002-03 aid will automatically be deducted from districts' June 2008 General Aid payment, except for those districts with overpayments large enough to qualify for a "three year spread" pursuant to Section 3604 (5) of the Education Law. These districts will be contacted shortly by the State Aid Payment Unit to discuss this option, and to provide the information necessary for the district to submit the required paperwork in time to avoid having the full deduction taken from the district's June 2008 general aid payment. Supplemental payments resulting from the 2002-03 final adjustment will be made to districts after the 2008 budget is enacted and funds are available.

The most recent 2002-03 General Aid (GEN) report, and GEN reports from December 2002, June 2003 and September 2003 accompany the SA32 and SA32-EC mailing to each district. Please compare the most recent GEN to the others to identify the aid areas that changed since your district's final payment of 2002-03 State Aid. **Please retain these reports for your records.**

Timing & amounts of upcoming supplementals / overpayments for aid years 2003-04 to 2007-08

With the exception of a few districts, the review of state aid claims for the 2003-04 through 2006-07 aid years is substantially complete. However, the processing of the final adjustments for those years is still in progress. Notification of overpayments and supplementals for these aid years (SA32 forms and SA32EC forms), as well as full sets of "before" and "after" output reports for these years will be mailed to you as the processing for each year is completed.

It is likely, though not certain, that overpayments for the 2003-04 aid year also will be deducted from your district's June, 2008 general aid payment. Supplemental payments resulting from the 2003-04 final adjustment will be made to districts after the 2008 budget is enacted and funds are available.

Overpayments for the 2004-05 through 2007-08 aid years will be deducted from general aid payments during the 2008-09 school year, as final adjustment processing for each year is completed. For districts that generally receive aid payments in November and December, overpayments for aid years finalized by that time will be deducted from those payments. Otherwise, overpayments for aid years 2004-05 through 2007-08 will be deducted from the March 2009 Spring Advance and June 2009 general aid payments. Supplemental payments resulting from 2004-05 through 2007-08 final adjustments will be made to districts during the 2008-09 and 2009-10 school years, depending on when final adjustment processing of each aid year is completed and when funds become available after budget passage.

For every aid year, notification and documentation will be provided as described in detail in the first section of this memo. If the State Aid payment unit has determined that your district may be eligible to spread one or more overpayments over 3 years, payment unit staff will be contacting your district to discuss this option.

Application to spread overpayments over three years

The State Aid Payment Unit has determined that several districts' estimated overpayments in one or a combination of finalized aid years are likely to be large enough to meet statutory criteria for spreading the deduction over three years. The State Aid Payment Unit is contacting these districts to discuss this option, and will proceed with overpayment deductions from the June 2008 and subsequent General Aid payments based on those discussions and districts' applications for the 3-year spread.

Other districts with large overpayment deductions also may apply to have their deductions spread over three years. There are several criteria that must be met to qualify, but no overpayment qualifies to be spread if it does not exceed 1% of the district's total general fund expense for the school year preceding the year in which the district was notified of the overpayment. The amount of the district's unreserved fund balance and the amount recognized as a liability due to other governments in the school year preceding the year in which the district was notified of the over payment also are considered. These are links to information on spreading overpayments and to the overpayment spread application:

http://stateaid.nysed.gov/payment/OP_Spread_Ed_Law_3604sub_5_memo_040108_final.pdf

http://stateaid.nysed.gov/payment/OP_3%20yr_Spread_Request_Form_EdLaw_3604sub_5_April2008_final.pdf

When a "final adjustment" is not final

Final adjustments represent overpayments and supplemental payments based on changes to districts' general aid and excess cost aid claim after the final payment of aid during the aid year. Typical causes of final adjustments are claim changes based on State Aid Office claim review, Building Aid changes generated by increased or decreased final capital project costs and/or bond percent and Transportation Aid adjustments due to post-claim year review of approved transportation contracts. In addition, if claim changes generating an overpayment were made after the June payment of an aid year, and the district was not due any additional aid in the final September payment of that aid year, the overpayment could not be deducted at the time of the final September payment of the aid year. In these cases, the overpayment is now being deducted via the final adjustment process. For the most part, State Aid will not change for an aid year after the final adjustment process is complete. Exceptions include, but may not be limited to subsequent aid changes resulting from:

- SED or Comptroller (OSC) claim review activity for a subsequent aid year that reveals significant inaccuracy in the claim for a previous but finalized aid year;
- OSC reserved right to review any component of any finalized claim year;

- Final adjustment and prior year revision processing of STAC claims. Due to the timing of chargeback submissions, STAC final adjustments and prior year revisions for an aid year are conducted after State Aid final adjustments for the same aid year. This processing can result in changed Public Excess Cost Aid, Private Excess Cost Aid and General Aid local contribution changes generated by Private Excess Cost aid changes;
- SED review of Transportation Contracts for school years 2004-05 and later (2005-06 and later Transportation Aid). This review is not complete and an anticipated completion date is not available at this time;
- Final Cost reports for capital construction projects resulting in increased or decreased approved project cost;
- District submission of a claim change that increases aid after June 30th of the aid year (e.g. after 6/30/03 for the 2002-03 aid year), but before the statute of limitations for changes expired (e.g., before 7/1/04 for the 2002-03 aid year). Prior year revisions received within the statute of limitations are processed and added to the prior year revision “queue” after the final adjustment for the aid year is complete.

April 2, 2008