

Aid to School Districts Cut by 20%

On August 20, 2020, the State Department of Education released the following notice:

"On August 13, 2020, Division of the Budget (DOB) issued the [FY 2021 First Quarterly State Budget Financial Plan Update](#) which notes that, in the absence of Federal action since enactment of the FY 2021 budget, DOB began withholding 20 percent of most local aid payments in June, and that all or a portion of these withholds may be converted to permanent reductions, depending on the size and timing of new Federal aid, if any.

In July, DOB began approving General Support for Public Schools (GSPS) payments to school districts (including 3609-a General Aid, 3609-b Excess Cost Aid, and 3609-d BOCES Aid payments) at 80% of the otherwise scheduled amounts.

DOB's Updated Financial Plan includes \$8.2 billion in recurring local aid reductions and states that the earliest DOB expects to transmit a detailed aid-to-localities reduction plan to the Legislature is late in the second quarter of the State's FY 2021, and that, in the absence of unrestricted Federal aid, DOB will continue to withhold a range of payments through the second quarter of FY 2021."

A 20% reduction in State aid means the loss of millions, if not tens of millions of dollars, of revenue by virtually every school district in the State. How this shortfall will be made up remains to be seen but cash flow financings, deficiency notes and significant budget cuts are all likely options being considered by Boards of Education around the state.

More Deficiency Notes on the Horizon?

With the mounting likelihood that state aid to local municipalities and school districts will be received in amounts that are less than those budgeted, it is likely that there will be an increase in the issuance of deficiency notes, under Section 29.20 of the NYS Local Finance Law, by local jurisdictions in the coming months. Any municipality or school district may issue deficiency notes to finance a deficiency arising from revenues received being less than the amount included in their budget. Such notes may be issued in an amount not to exceed 5% of the issuing jurisdiction's annual budget. Deficiency notes may be renewed but such notes and their renewals must mature not later than the close of the fiscal year succeeding the fiscal year in which such notes are issued. However, deficiency notes, including their renewals, may mature not later than the close of the second fiscal year succeeding the fiscal year in which they are issued, when authorized and issued at a time subsequent to the date of the adoption of the annual budget for the next succeeding fiscal year.

Members of many of the State's leading Bond Counsel firms recently collaborated on proposed changes to the law authorizing deficiency notes. The group proposed, among other things, (i) that such notes could be issued "to finance a deficiency resulting from any unforeseeable public emergency occurring during such year and/or the immediately preceding year such as epidemic"; (ii) "such notes, including the renewals thereof, shall mature not later than the close of the fifth fiscal year succeeding the fiscal year in which such notes are issued. An annual installment shall be paid no more than two years after such deficiency note shall have been issued"; and that issuers be given (iii) "the power to issue bonds for the purpose of liquidating the budget deficit resulting from such deficiency or redeeming any deficiency notes". The State Legislature has not acted on the Bond Counsels' proposal.

RECENT CMA CLIENT SALE RESULTS

<u>Issuer</u>	<u>Issue Type</u>	<u>Par Amount</u>	<u>Sale Date</u>	<u>Term</u>	<u>Rate</u>	<u>Purchaser</u>
Bay Shore UFSD	TAN	\$ 40,000,000	26-Aug	9 mos.	0.45%	Jefferies LLC
Rockland County	Bonds	\$ 18,125,000	25-Aug	15 yrs.	1.38%	JP Morgan Securities LLC
Valley Stream UFSD #13	Bonds	\$ 28,440,000	20-Aug	20 yrs.	1.51%	FHN Financial Capital Markets
Middleton City	BAN	\$ 40,007,434	19-Aug	12 mos.	0.29%	JP Morgan Securities LLC
Tonawanda Town	BAN	\$ 12,568,400	18-Aug	12 mos.	0.37%	TD Securities (USA) LLC
Depew UFSD	Bonds	\$ 11,000,000	13-Aug	14 yrs.	1.05%	The Baker Group
Babylon Town	Bonds	\$ 16,730,000	11-Aug	12 yrs.	0.95%	SWBC Investment Services, LLC
Clarence Town	Ref. Bonds	\$ 4,455,000	6-Aug	10 yrs.	0.43%	BNY Mellon Capital Markets, LLC
Ardsley Village	Bonds	\$ 1,088,689	4-Aug	17 yrs.	1.49%	Greene County Commercial Bank

New State Legislation Provides Financial Relief

Late last month, Governor Cuomo signed into law legislation to provide some financial relief to local governments and school districts in New York State as they suffer from COVID-19 which triggered the Governor's declaration of a State Disaster Emergency (the "Emergency"). The new law addresses statutory requirements relating to (i) the renewal period for bond anticipation notes (BANs), (ii) the use of reserve funds for operating, capital and other costs attributable to the Emergency, and (iii) the time period in which interfund advances must be repaid.

The Legislation allows the renewals of BANs originally issued during calendar years 2015 through 2021 to extend up to seven years after the original date of issuance. This gives local governments and school districts the option to renew these qualifying BANs for an additional two years than currently allowed by the Local Finance Law. With regard to capital reserves, a jurisdiction's governing board may, by resolution, which will not be subject to referendum, authorize expenditures *from capital reserve funds* for capital costs attributable to the Emergency. These moneys must be paid back to the originating reserve fund within five fiscal years, starting with the fiscal year after the transfer is made with at least 20 percent of the amount being paid back to the originating fund each year. If the originating fund is from a different tax base, the reimbursement must also include the estimated amount of interest the moneys would have earned had they not been transferred. The Legislation allows *interfund advances from other funds* made for costs attributable to the Emergency to be repaid no later than the close of the fiscal year after the advance was made. If money is advanced between two funds with different tax bases, then the repayment must include the estimated amount of interest the moneys would have earned had they been retained in the original fund. Local governments and school districts should account for interfund advances made for costs attributable to the Emergency the same as they would typically account for interfund advances.

Multiyear Planning in These Challenging Times

The Government Finance Officers Association recommends that all governmental entities use some form of strategic planning to provide a long-term perspective for service delivery and budgeting. In recent reports issued by the Office of the New York State Comptroller, those sentiments were echoed in reports to several jurisdictions which were advised to prepare multiyear financial plans to better address their financial challenges. In the age of the COVID-19 pandemic, strategic planning has become even more critical.

While CMA's core business is to assist local jurisdictions with the planning and issuance of debt obligations to fund capital projects and cash flow needs, since 2015, our Strategic Consulting Group ("SCG") has provided our clients with additional support in several key operational areas that are vital to their ongoing success. The SCG has been committed to assisting clients assess the current economic environment, anticipate and respond appropriately to changes in that environment, increase effectiveness and better prepare for the future.

Working with the towns of Brookhaven, Islip, Ramapo and Riverhead, cities of Glen Cove, Long Beach and Poughkeepsie, Nassau Interim Finance Authority and the US Virgin Islands, among others, SCG has become adept at working with local governments to perform the following services:

- Fiscal conditions analysis evaluating financial, organizational and environmental factors
- Five-year financial planning identifying short- and long-term revenue enhancing, cost reducing and operational efficiency initiatives and their projected impact to the jurisdiction's finances
- Identification of grant funding opportunities
- Budget analysis
- Policy development
- Operations studies and analyses, including departmental reviews, vehicle use studies, workforce and wage analyses, among others

Please contact CMA Managing Director Margaret Guarino (mguarino@capmark.org) for a frank discussion as to how CMA could help your jurisdiction better plan for the future in these trying times.

MMD GENERAL OBLIGATION INTEREST RATES

	Today - September 1, 2020					1 Month Ago - August 3, 2020					1 Year Ago - September 3, 2019				
Term	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa	Aaa	Aa	Insured	A	Baa
1 yr.	0.15%	0.20%	0.19%	0.26%	1.23%	0.11%	0.16%	0.15%	0.26%	1.23%	1.01%	1.02%	1.06%	1.02%	1.36%
5	0.27	0.37	0.45	0.56	1.53	0.23	0.33	0.41	0.56	1.53	1.03	1.09	1.22	1.27	1.57
10	0.82	0.97	1.05	1.16	2.18	0.65	0.80	0.88	1.02	2.04	1.22	1.34	1.46	1.50	1.82
15	1.15	1.35	1.41	1.58	2.63	0.97	1.17	1.23	1.42	2.47	1.45	1.63	1.73	1.80	2.08
20	1.36	1.57	1.62	1.79	2.84	1.17	1.38	1.43	1.62	2.67	1.65	1.83	1.93	2.00	2.28