



Clinton Township Board of Education

128 Cokesbury Road, Lebanon, NJ 08801

(908) 236-7235

Clinton Township School District Statement on Budget Matters

June 1, 2017

At a recent Council meeting, Clinton Township School District (CTSD) was blamed for forcing the Township into deficit spending by demanding payments ahead of schedule. This allegation is untrue. Not surprisingly, citizens are confused and don't know what to believe, so we are going to provide the complete story for the community.

The Clinton Township Council finds itself in a precarious financial predicament. While we have known about the Council's financial situation, in the interest of maintaining a productive working relationship, we avoided public comment. However, in light of recent statements made by the Council at their budget hearing last week, claiming our alleged influence on their current budget deficit, we no longer feel bound by that restraint.

In response to their statements, we believe that it is important that the CTSD correct the record. The Township has a serious financial problem and is over \$19 million in debt. By misrepresenting the School District's payment schedule surrounding the budget, the Council is casting blame everywhere except where it belongs.

The reasons for the Council's debt to the School District are simple: it decided to defer payment repeatedly during the past 10 years to the School District and used the money for other Township expenses. The Township's primary responsibility is to collect taxes for the School District, put the tax money into a trust designated for the CTSD, and then pay the CTSD on a predetermined timetable. Since January 2016, the Council has missed several payments and has put the School District in a financial predicament. These decisions by the Council are not the result of an unreasonable arrangement with the CTSD, but irresponsible choices made by the Council. The rating agency Moody's has identified such practices as ones that should be avoided by Clinton Township.

State law does allow a municipality to collect the school district tax levy, defer up to 50 percent of the collections, and pay the school what is owed in the following fiscal year. In Clinton Township's case, there are several years of local school and regional school tax deferrals, which have accumulated to over \$19 million. Unfortunately, because of declining tax collections, Clinton Township does not have the fund balance to pay the School District the taxes owed.

CTSD has a budget that is developed in full view of the public and is approved and implemented with numerous checks and balances. Like most other school boards in the state, the schedule for payments has been the same for years -- 10 equal payments plus debt service when due. This past April, the budget was approved along with the traditional payment schedule, yet the Township has not always met

the payment schedule. CTSD never demanded or required any early payments from the Township. It simply asked that the Township meet the schedule of payments agreed to in the budget.

Over the past 17 months, Clinton Township failed five times to make scheduled payments to the School District. Such payments are crucial to the CTSD's operating budget, which include salaries, benefits, utilities, insurance, and other non-negotiable expenses. More importantly, even if they were somehow negotiable, they are required by state law, making any withholding of payments unlawful.

We are confronted with a Council that has spent over \$19 million in taxpayer monies that legally belong to the schools, but are now unavailable to distribute to the schools for the District's use. As a result, the Township is living hand-to-mouth and can only pay schools when additional property taxes are collected. There is no Township surplus and this puts the CTSD in an untenable position which must be rectified immediately.

Up to this point, the CTSD has tried working with the Council to preserve a collaborative relationship for the good of the community. We hope that with the public getting the full story that it will increase the likelihood of the Council to seek solutions to this dilemma to become financially solvent so that it may honor its obligations to the community.

Sincerely,

The Clinton Township Board of Education

**Maria Grant
President**

**Rachel McLaughlin
Vice President**

Alicia Demmerle

Kevin Maloy

Maria McHugh

Alissa Olawski

Yehara Raddalgoda

Susan Vanderoef