STATE OF NEW YORK

8845--A

IN SENATE

January 8, 2026

Introduced by Sens. MARTINEZ, FAHY -- read twice and ordered printed, and when printed to be committed to the Committee on Education -- committee discharged, bill amended, ordered reprinted as amended and recommitted to said committee

AN ACT to amend the education law, in relation to prior year state aid adjustments

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

Section 1. Subdivision 5 of section 3604 of the education law, as amended by chapter 82 of the laws of 1995, paragraph a as amended by chapter 161 of the laws of 2005, and paragraph b as amended by section 59 of part A of chapter 436 of the laws of 1997, is amended to read as follows:

5. a. **(i)** State aid adjustments. All errors or omissions in the apportionment shall be corrected by the commissioner. Whenever a school district has been apportioned less money than that to which it is entitled, the commissioner may allot to such district the balance to which it is entitled. Whenever a school district has been apportioned more money than that to which it is entitled, the commissioner may, by an order, direct such moneys to be paid back to the state to be credited to the general fund local assistance account for state aid to the schools, or may deduct such amount from the [~~next~~] **first** apportionment to be made **in the subsequent school year** to said district[~~, provided~~]**.**

(ii) Provided, however, that, upon notification of excess payments of aid for which a recovery must be made by the state through deduction of future aid payments, **where the total amount to be recovered is in excess of one percent of the district's total general fund expenditures for the preceding school year,** a school district may request that such excess payments be recovered by deducting such excess payments from the payments due to such school district and payable in the [~~month of June in (i)~~] **first available apportionment of the school year following** the school year in which such notification was received and [~~(ii)~~] the two succeeding school years, provided further that there shall be no interest penalty assessed against such district or collected by the state.

EXPLANATION--Matter in *italics* (underscored) is new; matter in brackets [-] is old law to be omitted.

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Such request shall be made to the commissioner in such form as the commissioner shall prescribe[~~, and shall be based on documentation that the total amount to be recovered is in excess of one percent of the district's total general fund expenditures for the preceding school year~~]. The amount to be deducted in the first year shall be the greater of [~~(i)~~] **(A)** the sum of the amount of such excess payments that is recognized as a liability due to other governments by the district for the preceding school year and the positive remainder of the district's unreserved fund balance at the close of the preceding school year less the product of the district's total general fund expenditures for the preceding school year multiplied by five percent, or [~~(ii)~~] **(B)** one-third of such excess payments. The amount to be recovered in the second year shall equal the lesser of the remaining amount of such excess payments to be recovered or one-third of such excess payments, and the remaining amount of such excess payments shall be recovered in the third year. [~~Provided further that, notwithstanding any other provisions of this subdivision, any pending payment of moneys due to such district as a prior year adjustment payable pursuant to paragraph c of this subdivision for aid claims that had been previously paid as current year aid payments in excess of the amount to which the district is entitled and for which recovery of excess payments is to be made pursuant to this paragraph, shall be reduced at the time of actual payment by any remaining unrecovered balance of such excess payments, and the remaining scheduled deductions of such excess payments pursuant to this paragraph shall be reduced by the commissioner to reflect the amount so recovered.~~]

(iii) The commissioner shall certify no payment to a school district based on a claim submitted later than three years after the close of the school year in which such payment was first to be made. For claims for which payment is first to be made in the nineteen hundred ninety-six--ninety-seven school year, the commissioner shall certify no payment to a school district based on a claim submitted later than two years after the close of such school year. For claims for which payment is first to be made in the nineteen hundred ninety-seven--ninety-eight school year and thereafter, the commissioner shall certify no payment to a school district based on a claim submitted later than one year after the close of such school year. Provided, however, no payments shall be barred or reduced where such payment is required as a result of a final audit of the state. It is further provided that, until June thirtieth, nineteen hundred ninety-six, the commissioner may grant a waiver from the provisions of this section for any school district if it is in the best educational interests of the district pursuant to guidelines developed by the commissioner and approved by the director of the budget.

b. Claims resulting from court orders or judgments. Any payment which would be due as the result of a court order or judgment shall not be barred, provided that, commencing January first, nineteen hundred ninety-six, such court order or judgment and any other data required shall be filed with the comptroller within one year from the date of the court order or judgment, and provided further that the commissioner shall certify no payment to a school district for a specific school year that is based on a claim that results from a court order or judgement so filed with the comptroller unless the total value of such claim, as determined by the commissioner, is greater than one percent of the school district's total revenues from state sources as previously recorded in the general fund and reported to the comptroller in the annual financial report of the school district for such school year.

c. Payment of moneys due for prior years. State aid payments due for prior years in accordance with the provisions of this subdivision **prior to July first, two thousand twenty-six** shall be paid within the limit of the appropriation designated therefor provided, however, that each eligible claim shall be payable in the order that it has been approved for payment by the commissioner, but in no case shall a single claim draw down more than forty percent of the appropriation so designated for a single year, and provided further that no claim shall be set aside for insufficiency of funds to make a complete payment, but shall be eligible for a partial payment in one year and shall retain its priority date status for appropriations designated for such purposes in future years. **Beginning July first, two thousand twenty-six state aid payments for prior years in accordance with the provisions of this subdivision shall be paid to a school district in the first apportionment of the school year following the notification of such payments.**

§ 2. This act shall take effect immediately and shall apply to school years commencing on and after July 1, 2026.