



LFN 2020-28

December 30, 2020

Local Finance Notice

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Distribution

Municipal Clerks
 Freeholder Board Clerks
 Municipal and County Chief
 Financial Officers
 Auditors

CY 2021 Budget Matters

CY 2021 Budget Deadline Extension and Enforcement

As authorized pursuant to N.J.S.A. 40A:4-5.1, the Local Finance Board approved at its December meeting the statutory budget deadline revisions set forth below. These changes modify the statutory dates for introduction, adoption, and Mayor/Council Faulkner Act and related budget transmissions. The revised dates (absent referendum dates) are shown below:

Introduction and Adoption of Budget – Non Referendum	Statutory Date	Revised Date*
Mayor/Council Faulkner Act (Executive) budget transmission to governing body	1/15	2/26
Submission of the County and Municipal Annual Financial Statement	1/26, 2/10	3/5
Municipal introduction and approval of budget	2/10	3/30
County introduction and approval of budget	1/26	3/30
Municipal adoption	3/20	4/30
County adoption	2/28	4/30

*or the next regularly scheduled meeting of the governing body.

Notwithstanding the revised dates, a budget may be adopted anytime within 10 days of receiving the Director's certification of approval of the budget.

Governing bodies may, by resolution, adopt no later than March 30, 2021, extend the adoption date of the 2021 budget and increase temporary budget appropriations as may be necessary due to the extension.

Municipalities and counties that fail to timely adopt their budgets risk imposition of statutory penalties.

Pursuant to N.J.S.A. 40A:4-84, the members of governing body who willfully fail or refuse to comply could face \$25-per-day fines for failure to comply with a final order of the Director.

Municipalities will be required to submit all budget related processes using the Financial Automation Submission Tracking (FAST) system. For up to date information concerning FAST, visit our website at <https://www.nj.gov/dca/divisions/dlgs/fast.html>.

Transitional Aid Application Process

CY municipalities in financial distress will only have one opportunity to apply for Transitional Aid to Localities (Transitional Aid). Municipalities applying for Transitional Aid must submit an introduced budget with the application. Because aid awards come with a significant loss of local control and stringent conditions, municipalities should carefully evaluate whether it is necessary and appropriate to seek Transitional Aid. A separate Transitional Aid Local Finance Notice setting the deadline for CY Transitional Aid applications will be released in the coming weeks.

In recognition of the hardship a zero-dollar budget anticipation for this discretionary aid program would present for program applicants, municipalities that received Transitional Aid in CY 2020 are allowed, for budget introduction purposes only, to anticipate Transitional Aid in an amount equal to 85 percent of their CY 2020 aid allocation.

Municipal Aid and the FY2021 State Budget

After the state budget is proposed, the Division will notify municipalities as to the amount of Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts aid that can be anticipated in their budgets. For budget planning purposes, 2020 aid amounts may be used in the 2021 budget.

Local Examination – Municipal Budgets

Group 3 budgets will be examined by the Division for CY 2021. Groups 1 and 2 may be eligible for local examination. If the governing body of a municipality that is eligible for local examination wants the Division to examine the budget, they must pass a resolution prior to the introduction of the budget requesting DLGS review. Eligibility status is on the Municipal Information Sheet. Local examination municipalities must meet all applicable statutory deadlines to remain eligible. Municipalities that adopted a COVID special emergency are not eligible for local exam.

Other Budget Reminders

Amendment Procedures: The procedures for the flow of the budget cycle are specified in N.J.S.A. 40A:4-4. The amendment process cannot begin until after the public hearing has been held on the introduced budget. Once the public hearing is held, the budget can be amended on the same night, so long as it is after the public hearing portion of the meeting.

Health Insurance Contributions and Waivers: Amounts appropriated for employees who receive payments in lieu of accepting health benefits (“waivers”) must be appropriated as a separate line item (“Health Benefit Waiver” with FCOA Code #23-222).

To disclose the value of employee contributions and reduced employer costs for health care coverage to the public, each formal Budget Message shall contain information or a schedule showing the amounts contributed from employees, the employer share, and total costs. The disclosure may be broken down by employee group. The health insurance cap exclusion is based upon an average State Health Benefit increase of **2.8 percent**. There will be no cap exclusion for the appropriation cap calculation. For the levy cap, the cap exclusion will be **.8 percent**.

Municipal Library Tax Levy: [P.L. 2011, c.38](#) requires a dedicated line item on property tax bills for municipal free and joint free public libraries. This does not result in a tax increase, but rather changes the way the minimum library appropriation is displayed to the public.

Posting Budgets on Website: N.J.S.A. 40A:4-10 requires each municipality and county to post their current year adopted budget, as well as their adopted budgets for the three prior years, on their web site. The 2017, 2018, 2019 and 2020 budgets should now be posted. Once the 2021 budget is adopted it should be posted (and 2017 may be dropped). Municipalities without their own websites must have their adopted budgets for the current year and three prior years posted on the Division’s website.

If your municipality does not have a website, please contact the Division at dlgs@dca.nj.gov with the subject heading “Adopted Budget DLGS Website Posting”. The adopted budget will be displayed on the Adopted Budgets – Municipalities without Websites webpage.

FY Audit Extensions

[P.L.2020, c. 34](#) enacted on May 15, 2020, authorizes the Director to extend other deadlines established in the Local Budget Law, Local Fiscal Affairs Law, and the Local Authorities Fiscal Control Law. The Director is hereby extending the due dates for audits ending June 30, 2020 for an additional 90 days.

Approved: Melanie R. Walter, Director

Table of Web Links

Document	Internet Address
FAST Updates	http://www.nj.gov/dca/divisions/dlgs/fast.html
Municipal & County Budgets webpage	http://www.nj.gov/dca/divisions/dlgs/programs/mc_budgets.html
P.L. 2011c.38 (library prop. Tax line item)	http://www.njleg.state.nj.us/2010/Bills/PL11/38 .PDF
N.J.S.A. 40A:54-15 and 40A:54-19	http://www.njleg.state.nj.us/2010/Bills/PL11/224 .pdf

