

**LOCAL FINANCE NOTICE**CHRISTINE TODD WHITMAN  
GOVERNORJANE M. KENNY  
COMMISSIONERULRICH H. STEINBERG, JR.  
DIRECTOR**SFY 2001 BUDGET INFORMATION**

This Local Finance Notice contains important information concerning the preparation and submission of your SFY 2001 Budget, SFY 2000 Annual Financial Statement and subsequent budget amendments. **Please read this carefully and share this Notice with your elected officials, chief administrator, municipal clerk and registered municipal accountant.** Included with this Notice are the following items:

- SFY 2001 State Aid Certification
- SFY 2000 Chapter 159 Summary Report
- SFY 2001 Municipal Information Sheet
- Sample Budget Publication Notice

**Budget Introduction**

All fiscal year municipalities are expected to introduce a 2001 budget and file a 2000 annual financial statement by August 10. Noncompliance may jeopardize a municipality's eligibility for extraordinary aid, and may subject the municipal governing body members to penalties. No State Fiscal year municipality is eligible for the Local Examination process in SFY 2001. All budgets are subject to Division review and are to be submitted in accordance with normal practice.

The State Aid certification reflects the adoption of the State's FY 2001 budget — these amounts are final appropriations and not subject to change. The Aid Recapitulation and Payment Schedule is included in a separate Notice (CFO 2000-8).

**Sample Budget Publication Form**

N.J.S.A. 40A:4-61 contains the advertisement requirements of the budget document and permits publication of a summary that meets the minimum requirements set forth in the law. Included with this Local Finance Notice is a sample publication form. This form meets the minimum required by law, though publication of additional detail is encouraged and printing the full document is still permitted. Pursuant to advice from the Attorney General's office, if the summary is utilized, upon request, copies of the complete budget **must** be made available to the public free of charge. The following relates to the model form:

(Continued on next page)

Director's Office  
(609) 292-6613Local Government  
Research  
(609) 292-6110Financial Regulation  
and Assistance  
(609) 292-4806Local Finance  
Board  
(609) 292-0479Local Management  
Services  
(609) 292-7842Authority Regulation  
(609) 984-0132Fax  
(609) 984-7388

- The Summary of Appropriations section entitled "Final 2000 Budget" refers to the 2000 budget as modified by all transfers.
- Items No. 2 and No. 4 on the municipal form "Deferred Charges and Other Appropriations" refer to those charges that do not conform to any of the other categories.
- Total Revenues and Total Appropriations must balance.

### **SFY 2001 Budget Cap**

SFY 2001 CAP and CAP banking calculations, CAP rates and model documents were previously mailed. Local units will receive a "CAP Bank" for the unused portion of total allowable operating appropriations calculated at a rate of five percent (5%). The CAP bank has a useful life of two (2) years.

For local units planning to utilize a CAP index rate ordinance in FY 2001, the ordinance must be introduced prior to the introduction of the budget and adopted prior to the adoption of the budget. Copies of the introduced and adopted ordinance must be submitted to the Division.

Under the provisions of the CAP law, no transfers may be made from or among outside CAP appropriations. To avoid illegal transfers and overexpenditures, the Division suggests grant and library appropriations be budgeted as a single, all-purpose line item, instead of the traditional "salary and wages" and "other expenses" line items.

If the municipality plans to use cash surplus as a CAP waiver, approval from the Local Finance Board is required. An application can be obtained by calling (609) 292-0479 must be completed timely and scheduled for Board approval prior to final adoption of your budget. Please note that the Local Finance Board will not entertain any applications unless the annual financial statement, budget and SFY 1999 audit have been filed with the Division.

### **Flexible Chart of Accounts**

The SFY 2001 Municipal Budget document has been revised to include the appropriate budgetary codes as outlined in the Flexible Chart of Accounts promulgated by the Division. All revenues and appropriations for SFY 2001 must be coded accordingly. Please refer to Local Finance Notices CFO 2000-1 and CFO 2000-5 for details on this process.

### **Special Items of Revenue**

As implemented several years ago, the Division no longer requires special items of revenue resolutions. All special item documentation must be filed with the Division. Use the special item checklist to determine the documentation required by the Division and send one copy with your approved budget.

### **Pension Appropriations**

The Pension Security law adopted in 1997 continues to provide reductions in pension obligations for SFY 2001 budgets. State Fiscal Year municipalities are not required to include an appropriation for Public Employees Retirement System obligations. Municipalities participating in the Early Retirement Incentive Program (ERI) must, however, provide appropriations in the amount specified on the billing from the Division of Pensions. Questions regarding pension billing should be directed to the Division of Pensions and Benefits at 609-984-4517. Municipalities are cautioned that while there is no cap base adjustment offsetting the pension reductions, this is not a permanent reduction and pension costs will have to be budgeted in the future.

In addition, this year's PFRS bill includes a reduction due to the pension fund's absorption of unfunded liabilities. This is a permanent reduction and was the result of State law providing additional benefits to PFRS members.

### **Accelerated Tax Sale/Levy Sale**

Proceeds realized from an accelerated tax sale or a levy sale should not be included as part of the tax collection rate, as required in the law. Two new Annual Financial Statement sheets were added to aid in these calculations. On Sheet 22 of the Annual Financial Statement, the proceeds from these two sales should be included in the calculation. On Sheet 22a, the percentage of collection is calculated minus these proceeds. On Sheet 25, the Reserve for Uncollected Taxes Calculation is calculated using the percentage of collection from Sheet 22a. Sheet 25a provides the calculation reducing the reserve for uncollected taxes by the proceeds of the accelerated tax sale.

The first year the reserve for uncollected taxes is reduced as the result of an accelerated tax sale, prior to the adoption of the budget, the Chief Financial Officer must provide the governing body with a fiscal analysis of the impact of the action. The governing body must also pass a resolution authorizing the accelerated tax sale each year prior to the adoption of the budget. A fiscal impact analysis is also required for a tax levy sale. The governing body must also pass a resolution prior to the adoption of the budget and the contract must be in place and approved by the Division prior to the adoption of the budget. Detailed information about accelerated tax sales and tax levy sales are found in Local Finance Notices MC-97-5, CTC-97-4 and CTC-97-5.

### **Alternate Calculation of Reserve for Uncollected Taxes**

N.J.S.A. 40A:4-41(c) provides alternate methods of calculating the reserve for uncollected taxes. One method permits the use of a three-year average, instead of using the prior year collection rate, and can be used by any municipality. The other method can only be used if the amount of tax refunds paid in the prior year exceeded one percent of the total tax levy and permits a calculation of the reserve, using a collection rate that eliminates the impact of the refunds from the calculation. To utilize either provision, requires a governing body resolution **adopted prior** to the introduction of the budget. Recent advice from the Attorney General's office requires that this timing requirement cannot be waived to allow passage after introduction; **it must be adopted prior to introduction.**

### **Amendments and Budget Adoption**

The registered municipal accountant must certify amending resolutions for mathematical accuracy. Amending resolutions must be submitted to the Division promptly upon introduction. N.J.S.A. 40A:4-9 contains the requirements for publication of amendments. If the amendment does not require advertisement, the municipality may amend and adopt at the same meeting, provided the Division, prior to the meeting approves a copy of the amendment.

The Chief Financial Officer must ensure that amendments and other changes required by the Division are applied to the adopted budget. Additionally, Section Two of the adopted budget must be verified for accuracy.

## **New State Aid Programs**

### **Watershed Aid**

The passage of P.L. 1999, c.225 expanded and made permanent a program to make State payments to those municipalities that have watershed land that cannot be developed under State law. The law requires a payment of \$68.50 per acre to those municipalities. The Department of Environmental Protection provided a preliminary list of eligible municipalities and an aid estimate has been calculated based on that information. The Division has surveyed water providers to verify the information. Final aid is calculated on the verified amount.

While the amounts are subject to minor variations, municipalities may introduce their budget with the aid amount in place, but with the knowledge that it is subject to change. The State Aid certification includes amounts for the eligible municipalities.

### **Business Personal Property Tax Depreciation Adjustment (Bell Atlantic)**

The FY 2001 State budget includes an appropriation to replace the property valuation lost to many municipalities when Bell Atlantic changed its calculation of valuation of telecommunications property. The Division of Taxation has calculated an amount that represents the 1999 loss in total tax levy for each affected municipality. This allocation is only for CY 2000/SFY 2001. For those municipalities served by Bell Atlantic that receives no adjustment, it is because the valuation increased.

The revenue will not appear as municipal aid in the budget. For State fiscal year municipalities, Local Finance Notice SFY CTC 2000-1 describes the procedure for crediting the amount against the levy calculations for each billing cycle. The revenue will be included as part of an aid payment later this year and will show on the Aid Payment Schedule. The Aid Certification displays the amount of the Depreciation Adjustment.

### **Garden State Preservation Trust Fund**

P.L. 1999, c.152 established the Garden State Preservation Trust Fund to implement the recent public referendum to preserve one million acres of open space and farmland over the next ten years. The law provides a sliding scale of payments in lieu of taxation for property purchased by the State to help replace the ratable loss. As amended by the State FY 2001 budget, the law requires that all sums received under this program be recognized as State aid for the municipal government.

If you have any questions on information in this Notice, contact the Bureau of Financial Regulation and Assistance at (609) 292-4806.



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Ulrich H. Steinberg, Jr., Director  
Division of Local Government Services

Enclosures

Distribution: SFY Chief Financial Officers

CFO to distribute copies to elected officials, chief administrator, municipal clerk, and registered municipal accountant.