

**LOCAL FINANCE NOTICE**DONALD DiFRANCESCO  
*ACTING GOVERNOR*JANE M. KENNY  
*COMMISSIONER*ULRICH H. STEINBERG, JR.  
*DIRECTOR***STATE FISCAL YEAR 2002 MUNICIPAL BUDGET  
CAP INDEX RATE**

Pursuant to N.J.S.A. 40A:4-45.1a, the Director of the Division of Local Government Services must promulgate the index rate applicable to municipal budget CAP.

Based on the Implicit Price Deflator for State and Local Government, calculated by the United State Department of Commerce, Bureau of Economic Analysis, the index rate for SFY 2002 is four percent (4%).

A municipality, by ordinance, may increase the aforementioned percentage up to five percent under the provisions set forth in N.J.S.A. 40A:4-45.14(b). The procedure for utilizing this option and a model ordinance are on the back of this page.

If you have any questions regarding this determination, please call the Bureau of Financial Regulation and Assistance at (609) 292-4806.

**Ulrich H. Steinberg**

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

**Distribution:**

Registered Municipal Accountants  
State Fiscal Year Municipalities:  
Chief Administrative Officer  
Chief Financial Officer

**STATE FISCAL YEAR INDEX RATE ORDINANCE PROCEDURES**  
**(Pursuant to N.J.S. 40A:4-3.14)**

*If a governing body wishes to increase its allowable percentage increase in its budget from the 4% rate to a maximum of 5%, the following steps must be taken:*

1. After July 1st, and **prior to introduction** and approval of the budget, an ordinance must be introduced that details the following:
  - a) The new rate (increase percent) to be adopted; and,
  - b) The additional amount of appropriations to be added by the increase.
2. The ordinance must be approved by a majority of the full membership of the governing body, published, and a public hearing held at least 10 days after the publication date. A certified copy of the introduced action must be filed with the Director of the Division of Local Government Services within 5 days of its introduction.
3. The governing body may take a final vote on the action any time after the public hearing and prior to adoption of the budget. Depending on the form of government, the chief executive may veto the action in accordance with local procedures.
4. The ordinance takes effect immediately upon passage, and a certified copy of the adopted action must be filed with the Director within 5 days.
5. Cap increase referendums are not permitted if this option is chosen.

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**STATE FISCAL YEAR 2002 MODEL "CAP" ORDINANCE TO EXCEED INDEX RATE;  
INDEX RATE LESS THAN 5 % LIMITATION FOR SFY 2002 (N.J.S. 40A:4-45.14)**

WHEREAS, the Local Government Cap Law, N.J.S. 40A:4-45.1 et seq., provides that in the preparation of its annual budget, a municipality shall limit any increase in said budget to 5% or the index rate, whichever is less, over the previous year's final appropriations, subject to certain exceptions; and

WHEREAS, P.L. 1986, C. 203 amended the Local Government Cap Law, to provide that a municipality may, in any year in which the index rate is less than 5%, increase its final appropriations by a percentage rate greater than the index rate but not to exceed the 5% rate as defined in the amendatory law, when authorized by ordinance; and

WHEREAS, the index rate for SFY 2002 has been certified by the Director of the Division of Local Government Services in the Department of Community Affairs as 4%; and

WHEREAS, the \_\_\_\_\_ of the \_\_\_\_\_ of \_\_\_\_\_ in the County of \_\_\_\_\_  
(name of governing body)  
finds it advisable and necessary to increase its SFY 2002 budget by more than 4 % over the previous year's final appropriations, in the interest of promoting the health, safety and welfare of the citizens; and

WHEREAS, the \_\_\_\_\_ hereby determines that a \_\_\_\_\_ % increase in the budget for said year,  
(name of governing body) (rate of increase)  
amounting to \$ \_\_\_\_\_ in excess of the increase in final appropriations otherwise permitted by the Local  
(dollar increase)  
Government Cap Law, is advisable and necessary.

NOW THEREFORE BE IT ORDAINED, by the \_\_\_\_\_ of the \_\_\_\_\_ of \_\_\_\_\_  
(name of governing body)  
, in the County of \_\_\_\_\_, a majority of the full authorized membership of this governing body affirmatively concurring, that, in the SFY 2002 budget year, the final appropriations of the \_\_\_\_\_ of \_\_\_\_\_ shall, in accordance with this ordinance and P.L. 1986, C. 203, be increased by \_\_\_\_\_ %, amounting to \$ \_\_\_\_\_, and that the SFY 2002 municipal budget for the \_\_\_\_\_  
(rate of increase)  
of \_\_\_\_\_ be approved and adopted in accordance with this ordinance; and

BE IT FURTHER ORDAINED, that a certified copy of this ordinance as introduced be filed with the Director of the Division of Local Government Services within 5 days of introduction; and

BE IT FURTHER ORDAINED, that a certified copy of this ordinance upon adoption, with the recorded vote included thereon, be filed with said Director within 5 days after such adoption.