

Notice Number

Date

LOCAL FINANCE NOTICEDONALD T. DiFRANCESCO
*ACTING GOVERNOR*JANE M. KENNY
*COMMISSIONER*ANTHONY CANCRO
*ACTING DIRECTOR***CALENDAR 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 and county budget caps.

Based on the Implicit Price Deflator for State and Local Government, calculated by the United States Department of Commerce, Bureau of Economic Analysis, (September 2001, survey of Current Business), the index rate for CY 2002 is two and one half percent (**2.5%**).

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.



Anthony Cancro, Acting Director
Division of Local Government Services

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INDEX RATE ORDINANCE PROCEDURES (Pursuant to N.J.S.A. 40A:4-45.14)

If a governing body wishes to increase its allowable percentage increase in its budget from the 2.5% rate to a maximum of 5%, the following steps must be taken:

1. After January 1st, and **prior to introduction** and approval of the budget, an ordinance (resolution for counties) must be introduced that details the following:
 - a) The new rate (increase percent) to be adopted; and,
 - b) The additional amount of appropriations (or tax levy for counties) to be added by the increase.
2. The ordinance (resolution) 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.

2002 MODEL "CAP" ORDINANCE TO EXCEED INDEX RATE; INDEX RATE LESS THAN 5 % LIMITATION FOR THE YEAR 2002 (N.J.S.A. 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 2002 has been certified by the Director of the Division of Local Government Services in the Department of Community Affairs as 2.5%; and

WHEREAS, the _____ of the _____ of _____ in the County of _____
(name of governing body)
finds it advisable and necessary to increase its 2002 budget by more than 2.5 % 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
(dollar increase)
the Local 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 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 2002 municipal budget for the _____ of _____
(rate of increase)
_____ 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.