



LFN 2011-8

February 23, 2011

Local Finance Notice

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Distribution

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CY 2011 State Aid Certification

On February 22, 2011, Governor Chris Christie presented his proposed FY 2012 budget to the State Legislature. All municipalities will be receiving the same State formula aid that they received under the State FY 2011 budget.

This budget, and the changes in State policy it represents, requires that municipal officials continue to **actively** examine a wide range of actions to control and reduce costs and take actions such as:

- Considering not only how services are provided, but the need for them;
- Sharing services with neighboring governments, schools, and county agencies;
- Reviewing all employee contract and benefit policies for consistency with the economy and government financial conditions; and,
- Taking advantage of all opportunities to reduce costs before exercising their local authority to increase property taxes, subject to the two percent levy cap.

The budget proposal continues the Best Practice Incentive program to encourage municipal officials to adopt a range of "best practices" as an incentive to receive a full payment of Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts (ETR) State aid. In order to receive the final five percent payment, a municipality will have to certify that it meets a variety of best administrative, financial management, or operational practices. The budget proposes that withheld funds be reallocated as rewards to municipalities that establish exceptional scores. **Additional Best Practices information will be released in the next few weeks.**

Chief Financial Officers are urged to distribute this information to elected officials and staff as appropriate, and to their Registered Municipal Accountant.

Budget Certification

The budget proposes level aggregate funding for Consolidated Municipal Property Tax Relief Aid (CMPTRA), Energy Tax Receipts (ETR), Watershed Moratorium Offset, and the Garden State Trust (GST) Fund Pilot funding. These programs are appropriated at the same level as FY 2011.

Further, funding for Transitional Aid (TA) will also continue, though reduced by \$10 million. This program allows the Director of the Division of Local Government Services authority to meet the most pressing needs of the most fiscally stressed municipalities, and provide for an appropriate level of state oversight of local spending to offset the aid. Details about the program are described in [Local Finance Notice 2011-7](#).

The aid certification for each municipality is available on the Division's web site under the [Municipal State Aid](#) heading. Local officials must obtain their certifications from the web site; they are not mailed. The certifications show aid allocations for each municipality and are used in preparing the revenue section of CY 2011 budgets. A full spreadsheet of CY 2011 and SFY 2012 budgeted allocations is also on the web site. While the proposed budget can serve as a guide to SFY municipalities, final SFY certifications are posted once the final budget is adopted in June.

The budget calendar was extended in [Local Finance Notice 2011-2](#). The March 11 budget introduction date is now modified only to extend the introduction date for budgets to the next regularly scheduled governing body meeting after March 11.

Consolidated Municipal Property Tax Relief Aid and Energy Tax Receipts

The combined total of CMPTRA and ETR remains at \$1.293 billion.

Aid certifications reflect Business Personal Property (BPP) responsibilities and those with responsibilities to pay fire districts aid allocated to them under the old Supplemental Fire Services Program; in addition to the traditional split of BPP amounts between the municipality and school. All CY 2011 budgets must reflect the certified aid.

The basis for the initial ETR program was described in [Local Finance Notice MC 97-6](#). ETR is shown as a single line item (combining base and Supplemental program payments), with base formula payments made between August 1 and December 1. CY 2011 Supplemental Energy Tax Receipts recipients will receive that payment on or about July 15. SFY 2011 municipalities receiving the Supplemental payment will receive their payment in mid-June.

Watershed Moratorium Offset Aid

The proposed budget keeps the FY 2012 appropriation for Watershed Moratorium Offset Aid at the FY 2011 appropriation of \$2.218 million.

Garden State Preservation Trust Fund

The budget maintains the appropriation for the Garden State Trust Pilot payment at the FY 2011 level of \$6.473 million and the distribution formula frozen at last year's amounts.

Municipalities experiencing aid reductions that comprise a large portion of previous budgets may apply for Transitional Aid and the Division will work with these municipalities on a case-by-case basis

Revenues received under this program in October during CY 2010 should have been reserved and must be anticipated in full for the CY 2011 budget. The amount received in the fall of 2010

is shown on the certification as the amount to be anticipated in CY 2011. Certifications for SFY municipalities show the same amount received as last year.

Payment Schedule

A final aid payment schedule will be provided in July, prior to the first payment on August 1.

Payments to most municipalities are made electronically through the Automated Clearing House payment system. In order for this system to work properly, any changes in the municipality's depository bank must be reported to the Division, as soon as possible, so the necessary changes can be made in the payment computer system. If the bank or account number changes, the [Credit Authorization Agreement for Automatic Deposits form](#) and instructions can be obtained from the State Office of Management and Budget website.

Approved: Thomas H. Neff, Director

Table of Web Links

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2	Local Finance Notice 2011-7	http://www.nj.gov/dca/lgs/lfns/11lfns/2011-7.doc
2	Municipal State Aid	http://www.state.nj.us/dca/lgs/muniaid/aidmenu.shtml
2	Local Finance Notice 2011-2	http://www.nj.gov/dca/lgs/lfns/11lfns/2011-2.doc
2	Local Finance Notice MC 97-6	http://www.nj.gov/dca/lgs/lfns/pre_98lfns/mc-1997-6.pdf
3	Credit Authorization Agreement for Automatic Deposits form	http://www.state.nj.us/treasury/omb/forms/index.shtml