

LOCAL FINANCE NOTICE

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Cap Relief Bill S- 906 Signed Into Law

On June 20, 2003 Governor McGreevey signed into law P.L. 2003, c. 92, [S-906](#), which expands the exceptions permitted under the County and Municipal Cap Law until 2007.

Chapter 92 now permits the following to be excepted from the budgetary cap limitations:

- Liability, workers compensation and employee group health insurance. [N.J.S.A. 40A: 4-45.3(oo)]
- Costs for domestic security preparedness and responses to incidents and threats of domestic security. [N.J.S.A. 40A: 4-45.3(pp)]

Budgeting for the New Exceptions

The cap exceptions permitted by Chapter 92 will begin with the FY 04/CY 04 budget cycles and continue through the 2006 budget cycles. Unless further amended, these exceptions will revert back to inside cap appropriations in the 2007 budget cycles.

Please note that budget law requires that if an appropriation is exempt from cap limitations, the exception must be taken.

For the initial year, the Chief Financial Officer will be required to certify the 2003 expenditures (paid or charged plus reserved amounts) for both the insurance appropriations and domestic security costs that will be appropriated outside the cap in the 2004 budget. The Chief Financial Officer will also have to certify that the 2004 insurance and domestic security appropriations conform to N.J.S.A. 40A: 4-45.3 (oo) and (pp). If appropriate the certifications may be combined. A cap base adjustment must be taken for any costs that you are moving outside cap. The cap base for 2004 should be reduced by the 2003 expenditures (paid or charged plus reserved amounts) for insurance costs and domestic security preparedness before the cap percentage is applied.

Note: The cap percentage is 2% for FY 2004 budgets (LFN CFO 2003-4).

The outside cap appropriations for these new exceptions must be placed on Budget Sheet 20 and separated by Departments. This will facilitate the certification process as well as the process of placing these appropriations inside the cap in 2007. If you are budgeting for homeland security costs that cannot be categorized as one of the operating functions listed below indicate the operating department and follow the same reporting format (*department: salaries, other expenses, FCOA*).

8. General Appropriations (page 20)

Department Name	FCOA
<u>Insurance: N.J.S.A. 40A:4-45.3(oo)</u>	
General Liability	23-210
Workers Compensation	23-215
Employee Group Health	23-220
<u>Homeland Security N.J.S.A. 40A:4-45.3(pp)</u>	
Police- Salaries And Wages	25-240-1
Other Expenses	25-240-2
Fire- Salaries and Wages	25-265-1
Other Expenses	25-265-2
EMS- Salaries and Wages	25-265-1
Other Expenses	25-265-2
OEM- Salaries and Wages	25-252-1
Other Expenses	25-252-2
County Sheriff- Salaries and Wages	25-270-1
Other Expenses	25-270-2

Definitions of Excepted Appropriations

Certain insurance costs are to be excepted from the cap limitations. As defined by the law they are: general liability, workers compensation and employee group coverage. The exception also applies to any appropriations that may have been made for self-insurance or joint insurance fund purposes.

The Division has defined "domestic security preparedness and responses to incidents and threats of domestic security" as: Those additional ongoing or one time expenses which the municipality has incurred, or will incur, since September 11, 2001. Examples of these expenses would include, but are not limited to:

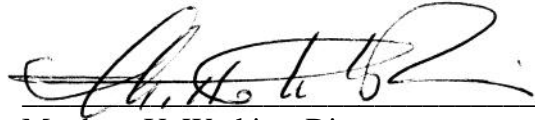
- Additional personnel/overtime specifically assigned to duties regarding potential homeland security threats.
- Additional training necessary for staff to be prepared in the event of homeland security threats.
- Additional equipment necessary to assure the safety of the municipality in the event of homeland security threats.

These expenses may be for preparation against potential homeland security threats, response to actual homeland security threats, and /or clean up and aftermath from actual homeland security acts or threats.

These expenses may cross over among various departmental cost centers within your municipality; ie police; fire, emergency medical services, and emergency management.

The cap relief law is not intended as a mechanism to move basic public safety costs outside the cap. The intent of the law is to relieve the budgetary cap burden on those municipalities whose operational costs relative to the homeland security protection of their community have placed a burden on their ability to budget within the cap.

If you have any questions regarding this determination, please call the Bureau of Financial Regulation and Assistance at (609) 292-4806 or by email at dlgs@dca.state.nj.us.



Matthew U. Watkins, Director
Division of Local Government Services

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