



LFN 2021-24

December 1, 2021

Local Finance Notice

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Distribution
Municipal Clerks
Commissioner Board Clerks
Municipal and County Chief Financial Officers
Auditors

CY 2022 Budget Matters

CY 2022 Budget Deadline Extension and Enforcement

As authorized pursuant to N.J.S.A. 40A:4-5.1, the Local Finance Board approved at its November meeting the statutory budget deadline revisions set forth below. These changes modify the statutory dates for introduction, adoption, and Mayor/Council Faulkner Act and related budget transmissions. The revised dates (absent referendum dates) are shown below:

Introduction and Adoption of Budget – Non Referendum	Statutory Date	Revised Date*
Mayor/Council Faulkner Act (Executive) budget transmission to governing body	1/15	2/25
Submission of the County and Municipal Annual Financial Statement	1/26, 2/10	3/4
Municipal introduction and approval of budget	2/10	3/31
County introduction and approval of budget	1/26	3/31
Municipal adoption	3/20	4/29
County adoption	2/28	4/29

*or the next regularly scheduled meeting of the governing body.

Notwithstanding the revised dates, a budget may be adopted anytime within 10 days of receiving the Director's certification of approval of the budget.

Governing bodies may, by resolution, adopt no later than March 31, 2022, extend the adoption date of the 2022 budget and increase temporary budget appropriations as may be necessary due to the extension.

Municipalities and counties that fail to timely adopt their budgets risk imposition of statutory penalties.

Pursuant to N.J.S.A. 40A:4-84, the members of governing body who willfully fail or refuse to comply could face a \$25-per-day fines for failure to comply with a final order of the Director.

Municipalities will be required to submit all budget related processes and audit processes using the Financial Automation Submission Tracking (FAST) system. For up-to-date information concerning FAST, visit our website at <https://www.nj.gov/dca/divisions/dlgs/fast.html>.

The Annual Debt Statement and the Annual Financial Statement will be available by December 3rd. The Budget form will be available by December 10th.

COVID-19 Issues

Section 1 of P.L. 2020, c.74 amended N.J.S.A. 40A:4-26 to authorize the Director of the Division of Local Government Services to promulgate new standards for the anticipation of COVID-19 affected revenues in the 2021 budget and, if necessary, in future years. For FY 2022, the Director authorizes use of a three-year average for calculation of affected revenues. The years to be used in the calculation are 2019, 2020, and 2021. The Governing Body must pass a resolution, and the resolution should contain an analysis reporting the amounts per year and the average. The analysis can also be an attachment to the resolution.

COVID Special Emergencies: CY 2022 will be the year for the first installment to be budgeted for the deferred charges for the COVID-19 Special Emergencies that were passed in 2020 and 2021. The deferred charge can be excluded from both the 1977 and 2010 caps. For the levy cap, include the special emergency in the deferred charge section of the workbook.

ARP funds in the 2022 budget: If you are anticipating in the 2022 budget revenue from ARP funds for loss of revenue, the loss of revenue calculation should be submitted for supporting documentation. If you are using the loss of revenue funds to support existing government services, anticipate the revenue on sheet 10 and identify the government service appropriation inside cap that you are offsetting.

Transitional Aid Application Process

CY municipalities in financial distress will only have one opportunity to apply for Transitional Aid to Localities (Transitional Aid). Municipalities applying for Transitional Aid must submit an introduced budget with the application. Because aid awards come with a significant loss of local control and stringent conditions, municipalities should carefully evaluate whether it is necessary and appropriate to seek Transitional Aid. A separate Transitional Aid Local Finance Notice setting the deadline for CY Transitional Aid applications will be released in the coming weeks.

In recognition of the hardship a zero-dollar budget anticipation for this discretionary aid program would present for program applicants, municipalities that received Transitional Aid in CY 2021

are allowed, for budget introduction purposes only, to anticipate Transitional Aid in an amount equal to 85 percent of their CY 2021 aid allocation.

Municipal Aid and the FY2023 State Budget

After the state budget is proposed, the Division will notify municipalities as to the amount of Consolidated Municipal Property Tax Relief Aid (CMPTRA) and Energy Tax Receipts aid that can be anticipated in their budgets and any other aid as presented in the Governor's budget. For budget planning purposes, 2021 aid amounts may be used in the 2022 budget.

Local Examination – Municipal Budgets

Group 2 budgets will be examined by the Division for CY 2022. Groups 1 and 3 may be eligible for local examination. If the governing body of a municipality that is eligible for local examination wants the Division to examine the budget, they must pass a resolution prior to the introduction of the budget requesting DLGS review. Eligibility status is on the Municipal Information Sheet. Local examination municipalities must meet all applicable statutory deadlines to remain eligible. Municipalities that adopted a COVID special emergency are not eligible for local exam.

Other Budget Reminders

Amendment Procedures: The procedures for the flow of the budget cycle are specified in N.J.S.A. 40A:4-4. The amendment process cannot begin until after the public hearing has been held on the introduced budget. Once the public hearing is held, the budget can be amended on the same night, so long as it is after the public hearing portion of the meeting.

Health Insurance Contributions and Waivers: Amounts appropriated for employees who receive payments in lieu of accepting health benefits ("waivers") must be appropriated as a separate line item ("Health Benefit Waiver" with FCOA Code #23-222).

To disclose the value of employee contributions and reduced employer costs for health care coverage to the public, each formal Budget Message shall contain information or a schedule showing the amounts contributed from employees, the employer share, and total costs. The disclosure may be broken down by employee group. The health insurance cap exclusion is based upon an average State Health Benefit increase of **5 percent for CY 2022**. The cap exclusion for the appropriation cap is **1 percent**. For the levy cap, the cap exclusion will be **3 percent**. These amounts are calculated in the levy cap workbook health insurance tab.

Submission of Special Items of Revenue (C-159's): The deadline for the submission of C-159s is December 17, 2021. Exceptions will be handled on a case-by-case basis.

Municipal Library Tax Levy: [P.L. 2011, c.38](#) requires a dedicated line item on property tax bills for municipal free and joint free public libraries. This does not result in a tax increase, but rather

changes the way the minimum library appropriation is displayed to the public. The levy should be the minimum amount only unless a referendum is passed to increase the amount.

Posting Budgets on Website: N.J.S.A. 40A:4-10 requires each municipality and county to post their current year adopted budget, as well as their adopted budgets for the three prior years, on their web site. The 2018, 2019, 2020 and 2021 budgets should now be posted. Once the 2022 budget is adopted it should be posted (and 2018 may be dropped). Municipalities without their own websites must have their adopted budgets for the current year and three prior years posted on the Division's website.

If your municipality does not have a website, please contact the Division at dlgs@dca.nj.gov with the subject heading "Adopted Budget DLGS Website Posting". The adopted budget will be displayed on the Adopted Budgets – Municipalities without Websites webpage.

FY Audit Extensions

P.L.2020, c. 34 enacted on May 15, 2020, authorizes the Director to extend other deadlines established in the Local Budget Law, Local Fiscal Affairs Law, and the Local Authorities Fiscal Control Law. The Director is hereby extending the due dates for audits ending June 30, 2021 for an additional 90 days.

Approved: Jacquelyn A. Suarez, Director

Table of Web Links

Document	Internet Address
FAST Updates	http://www.nj.gov/dca/divisions/dlgs/fast.html
Municipal & County Budgets webpage	http://www.nj.gov/dca/divisions/dlgs/programs/mc_budgets.html
P.L. 2011c.38 (library prop. Tax line item)	http://www.njleg.state.nj.us/2010/Bills/PL11/38_.PDF
N.J.S.A. 40A:54-15 and 40A:54-19	http://www.njleg.state.nj.us/2010/Bills/PL11/224_.pdf

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