



LFN 2023-22

December 19, 2023



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CY 2024 Budget Matters

This Notice contains important updates on the budget process for counties and calendar year municipalities. Please review the Notice carefully.

CY 2024 Budget Deadline Extension and Enforcement

As authorized pursuant to N.J.S.A. 40A:4-5.1, the Local Finance Board approved at its December 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	1/17	2/27*
Submission of the County and Municipal Annual Financial Statement (AFS)	1/26, 2/10	3/8
Municipal introduction and approval of budget	2/10	3/29*
County introduction and approval of budget	1/26	3/29*
Municipal adoption	3/20	4/30*
County adoption	2/28	4/30*

*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 29, 2024, to extend the adoption date of the 2024 budget and increase temporary budget appropriations as may be necessary due to the extension.

Counties and municipalities that fail to timely adopt their budgets risk imposition of statutory penalties, up to and including a \$25-per-day fine for governing body members who willfully fail or refuse to comply with a final order of the Director. N.J.S.A. 40A:4-84.

Municipalities are required to submit all budget related processes and audit processes using the Financial Automation Submission Tracking (FAST) system. Current versions of budget forms and related financial documents are available for download on the Division's [FAST webpage](#). Municipalities are required to use the most up-to-date budget workbook, version 2024.0. The 2024 budget workbook contains a "data rollover" feature that will allow for the import of 2023 budget data, reducing the amount of data entry. Macros must be enabled for this functionality to execute properly. Counties must use any budget workbook version 2022.0 or newer. Municipalities and counties must use any annual financial statement (AFS) workbook version 2021.4 or newer.

COVID Special Emergencies

CY 2024 will be the year for the third installment to be budgeted for the deferred charges for the COVID 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 COVID Special Emergency in the deferred charge section of the workbook.

Municipalities with Municipal Water Systems: Capital Budgets & Adequately Providing for System Needs

N.J.S.A. 58:31-7 of the [Water Quality Accountability Act \(WQAA\)](#) requires all local units with their own water system to file an annual capital improvement report (WQAA annual report) with the New Jersey Department of Environmental Protection (NJDEP) listing infrastructure improvements required under the local unit's water system asset management plan. For the Project History section of the WQAA annual report, capital projects to be implemented under the asset management plan are listed under the heading "Projects Planned But Not Yet Placed Into Service." Projects to be identified as Short Term (1-3 years), Medium Term (4-6 years), and Long Term (4-10 years) based on the anticipated construction period of those projects. This [template worksheet](#) outlines the requirements for submittal. The DEP submission portal is [here](#).

Effective starting with CY2024 municipal budgets, N.J.A.C. 5:34-4.3(c) now requires every municipality with its own water system to have an annual capital budget and program. Further, the capital budget and capital program of a municipality with its own water system shall incorporate the infrastructure improvements listed on the municipality's WQAA annual report for the corresponding period, along with the estimated costs of said improvements and anticipated financing by sources and amounts in accordance with N.J.A.C. 5:30-4.6(a). Although WQAA annual report now includes a Mid Term (4-6 years) category, the minimum capital program period for municipalities with under 10,000 in population remains three (3) years (budget year + two additional years) regardless of whether the municipality has a water system.

PLEASE NOTE: The water system improvement projects listed on the WQAA annual report under “Projects Planned But Not Yet Placed Into Service” for the Short Term (1-3 years) category and, if applicable, the Mid Term (4-6 years) categories, must also be listed in the capital budget and capital program for the applicable period, unless the Director otherwise determines that a municipality’s fiscal circumstances warrant deviating from the asset management plan – such a determination will be made in consultation with NJDEP.

- The project title for each water system improvement project listed on the capital budget and program must include word-for-word the information listed under “Type of Asset” and “Project Name – Comments” in the WQAA annual report.
- The estimated project cost listed in both the capital budget/program and the WQAA annual report must likewise match.
- The Excel or PDF version of the WQAA annual report for 2024 must be uploaded with the budget document into FAST.

The chief municipal finance officer should work with the official currently responsible for submission of the WQAA annual report to DEP (e.g., public works director, water superintendent, engineer) to ensure the capital budget information matches what is referenced in the report. Pursuant to N.J.A.C. 5:30-7.6, a municipality eligible for local examination is responsible for ensuring their annual budget complies with the above-referenced requirements.

When crafting their CY2024 budgets, municipalities with water systems should make adequate provision for the capital and operational needs of their systems. N.J.S.A. 40A:4-78 authorizes the Director to order municipalities to take such as measures as the Director deems necessary to ensure the integrity of a municipality’s water infrastructure including, but not limited to, limiting the diversion of surplus water system revenues to the general fund. The Director may account for a municipality’s fiscal circumstances in determining appropriate measures.

Transitional Aid Application Process

Calendar Year 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 2023 are allowed, for budget introduction purposes only, to anticipate Transitional Aid in an amount equal to 85 percent of their CY 2023 aid allocation.

Municipal Aid and the FY2025 State Budget

After the FY2025 State budget is proposed, the Division will notify municipalities as to the amount of 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, 2023 aid amounts may be used in the introduced 2024 budget except for the Municipal Relief Fund. If a municipality did not anticipate 2023 Municipal Relief Fund Aid last year, the amount of revenue received in 2023 should be reserved on the Trial Balance and anticipated in the 2024 calendar year budget on sheet 5. Open Space PILOT aid was also increased last year. If the entire amount was not included in the 2023 budget, the additional revenue should be reserved on the Trial Balance and anticipated in the 2024 budget on sheet 5.

Local Examination - Municipal Budgets

Group 3 municipal budgets will be examined by the Division for CY 2024. Groups 1 and 2 may be eligible for local examination. Eligibility status is on the Municipal Information Sheet. Local examination municipalities must meet all applicable statutory deadlines to remain eligible. If the governing body of a municipality that is eligible for local examination wants the Division to examine the budget, the governing body must pass a resolution prior to the introduction of the budget requesting DLGS review.

Municipalities that have failed to submit to the Division the User-Friendly Budget section corresponding with its CY2023 adopted budget will not be eligible for local examination until the User-Friendly Budget has been submitted.

Pursuant to N.J.A.C. 5:30-7.6, a municipality eligible for local examination that has a municipal water system is responsible for ensuring their capital budget includes the required information from the WQAA annual report.

In addition to existing non-eligible categories, please note that the following municipalities are likewise ineligible for local budget examination:

- Municipalities having adopted a COVID special emergency;
- If, during the current or prior fiscal year, an individual who does not hold a municipal finance officer certificate is or was serving as a temporary CFO pursuant to N.J.S.A. 40A:9-140.13;
- If, during the current or prior fiscal year, a private entity is or was temporarily fulfilling the duties of a chief municipal finance officer pursuant to N.J.S.A. 40A:9-140.10;
- Municipalities where, in the prior fiscal year, voters approved the sale of a water or sewer system pursuant to N.J.S.A. 40:62-5; and
- If, in the prior fiscal year, the municipality has completed the approval process pursuant to the Water Infrastructure Protection Act (N.J.S.A. 58:30-1 et seq.) for the sale of a water or sewer system.

Other Budget Reminders

Amendment Procedures: Budget cycle procedures 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 **7.4 percent for CY 2024**. The appropriation cap exclusion is **3.4 percent**. The levy cap exclusion will be **5.4 percent**. These amounts are calculated in the levy cap workbook’s health insurance tab.

Submission of Special Items of Revenue (C-159’s): The deadline for the submission of C-159’s is December 22, 2023. 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, which does not result in a tax increase but rather changes the way the minimum library appropriation is displayed to the public. The minimum municipal library tax rate is 1/3 of a mil unless a successful voter referendum increases that amount. See [Local Finance Notice 2018-17](#) at pages 5-6 for further information on the process for changing the municipal library tax rate.

Posting Budgets on Website: N.J.S.A. 40A:4-10 requires each municipality and county to post on their website the current year adopted budget along with adopted budgets for the three prior years. The 2020, 2021, 2022 and 2023 budgets should now be posted. Once the 2024 budget is adopted it should be posted (and 2020 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.

Approved: Jacquelyn A. Suárez, Acting Commissioner & Director

Document	Internet Address
FAST Updates	https://www.nj.gov/dca/dlgs/Fast.shtml
Municipal & County Budgets webpage	http://www.nj.gov/dca/divisions/dlgs/programs/mc_budgets.html
NJDEP WQAA Webpage	https://www.state.nj.us/dep/watersupply/g_reg-wqaa.html
P.L. 2011 c.38 (library tax line item)	http://www.njleg.state.nj.us/2010/Bills/PL11/38_PDF
Local Finance Notice 2018-17	https://www.nj.gov/dca/divisions/dlgs/lfns/18/2018-17.pdf