

LFN 2024-03

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Philip D. Murphy
Governor

Tahesha L. Way
Lieutenant Governor

Jacquelyn A. Suárez
Acting Commissioner
& Director

Contact

Website

<https://www.nj.gov/dca/dlgs/>

E-mail

dlgs@dca.nj.gov

Phone

609.292.6613

Mail and Delivery

101 South Broad St.

PO Box 803

Trenton, New Jersey

08625-0803

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Appropriations Cap Relief for CY2024/SFY2025 Budgets

N.J.S.A. 40A:4-45.3d authorizes the Local Finance Board (Board) to grant additional exceptions to the municipal appropriations cap (also known as the “1977 cap”) upon finding that extraordinary circumstances exist resulting in an unanticipated increase in expenditures for a service essential to the health, safety, and welfare of New Jersey residents. Such exceptions, when granted by the Board, are applicable to all municipalities but only effective for the local budget year in which the exceptions are granted.

Pursuant to N.J.S.A. 40A:4-45.3d, at its February 14, 2024 meeting, the Board approved the following appropriation increases in excess of 3.5% for the following CY2024/SFY2025 budget appropriations:

- Garbage and Trash Removal and Disposal
 - restricted to municipalities that did not utilize this exception in their CY2023/SFY2024 budgets.
- Recycling
 - restricted to municipalities that did not utilize this exception in their CY2023/SFY2024 budgets.
- Liability Insurance (including Property, Casualty, and Cybersecurity) and
- Worker’s Compensation Insurance.

The appropriation cap exception will be calculated using the amount of the increase over the prior year appropriation that exceeds 3.5%, which is the COLA rate. The Division has prepared an [addendum to the levy cap workbook](#) to calculate the allowable appropriation cap exception – which goes on sheet 20 of the budget. The appropriation cap exception can be used up to the amount calculated in the workbook.

Please note that the Board-approved appropriations cap exceptions are permissive.

In light of the Board's action, the Division's [Municipal Budget Template](#) has been updated to allow selection of the following [FCOA codes](#) on Sheet 20:

- 1) 23-215: Workers Compensation Insurance
- 2) 23-210: Liability Insurance (Including Property, Casualty, and Cyber Security)
- 3) 26-305: Solid Waste Collection (used for both Garbage and Trash Removal; and Recycling)
- 4) 32-465: Landfill/Solid Waste Disposal Cost

The above code for Liability Insurance FCOA code is not on version 2024.0 of the Municipal Budget Template. Only those municipalities that want to utilize this new exclusion for Liability Insurance need to use the updated budget template [new version \(version 2024.1\)](#). Municipalities must not attempt to input the new Board-approved appropriation cap exception for Liability Insurance on version 2024.0 of the template, as this will result in data collection errors.

The Board has not granted these exceptions lightly and has expressed its reluctance to extend them beyond the CY2024 and SFY2025 budget years. **Municipalities that utilized the Garbage and Trash Collection and Disposal exclusion and/or Recycling exclusion in their CY2023/SFY2024 municipal budget cannot utilize the same exclusion(s) in their CY2024/SFY2025 budget.** Municipalities are strongly encouraged to explore all avenues of cost savings, including investigating shared services, and closely analyzing labor agreements and discretionary spending, to ensure a sustainable budget in future years.

The Division is also granting a cap adjustment for the Group Health Insurance Appropriation that is no longer outside the appropriation cap due to the decrease in the percentage increase applied for 2024. The levy cap workbook will calculate the 2024 appropriation cap (1977 cap) exclusion for Health Insurance that would be on sheet 20 of the budget. The Division will take the difference between the current and prior amount on sheet 20 and add that amount to the appropriation cap. This adjustment will only be given to those municipalities that utilized the exclusion last year.

Approved: Jacquelyn A. Suárez, Acting Commissioner & Director

Document	Internet Address
Levy Cap Workbook	https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/2024CYlevycapcalcwrkbk-muni.xls
Municipal Budget Template	https://www.nj.gov/dca/dlgs/FAST/2024_Budget_Template_Municipal.xlsm
FCOA Code Listing	https://www.nj.gov/dca/dlgs/FAST/Budget_FCOA_Codes.xlsx