

Local Finance Notice

LFN 2024-20

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CY 2025 Budget Matters

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

CY 2025 Budget Deadline Extension and Enforcement

As authorized by 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:

Budget Introduction & Adoption (Non-Referendum)	Statutory Date	Revised Date
Mayor/Council Faulkner Act (Executive) budget transmission to governing body	1/17	2/28*
Submission of the County and Municipal Annual Financial Statement (AFS)	1/26, 2/10	3/7
Municipal introduction and approval of budget	2/10	3/31*
County introduction and approval of budget	1/26	3/31*
Municipal adoption	3/20	4/30*
County adoption	2/28	4/30*

*or the date of 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.

To avail itself of the revised dates, the governing body must adopt a resolution by no later than March 31, 2025 to extend the adoption date of the 2025 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 and counties must 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 and counties are required to use the most up-to-date budget workbook, version 2025.0, which contains a "data rollover" feature that reduces data entry by allowing the import of 2024 budget data. Macros must be enabled for this functionality to execute properly. Municipalities and counties must use the newest version for the annual financial statement (AFS) workbook (2024.0) as new features have been included.

COVID Special Emergencies

For COVID Special Emergency deferred charges passed in 2020 and 2021, CY 2025 is the year for the fourth installment to be budgeted. 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) **by March 15, 2025** listing the 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 (7-10 years) based on the anticipated construction period of those projects. This [template worksheet](#) outlines the submittal requirements. The DEP submission portal is [here](#).

Effective starting with CY2024 municipal budgets, N.J.A.C. 5:34-4.3(c) 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 2025 must be uploaded with the budget document into FAST.

The chief municipal finance officer (CMFO) 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 CY2025 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 measures as deemed 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). An introduced budget must accompany the application. Because aid awards come with stringent conditions and a significant loss of local control, 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 2024 are allowed, for budget introduction purposes only, to anticipate Transitional Aid in an amount equal to 85 percent of their CY 2024 aid allocation.

Municipal Aid and the FY2026 State Budget

After the FY2026 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. Aid amounts from 2024 may be utilized in the introduced 2025 budget for planning purposes.

Local Examination – Municipal Budgets

The Division will examine Group 2 municipal budgets CY 2025. Groups 1 and 3 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.

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.

Municipalities that failed to submit to the Division the User-Friendly Budget section corresponding with its CY2024 adopted budget are ineligible for local examination until the User-Friendly Budget has been submitted.

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 CMFO 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: N.J.S.A. 40A:4-4 specifies budget cycle procedures. The amendment process cannot begin until after the governing body holds a public hearing 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 (i.e. waiver payments) 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 **16.4 percent for CY 2025**. The appropriation cap exclusion is **12.4 percent**. The levy cap exclusion will be **14.4 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 C-159 submission is **December 20, 2024**. Exceptions will be handled on a case-by-case basis.

Volunteer Fire and EMS Appropriations: A municipality may appropriate a maximum of \$165,564 in its CY2025 budget for use by volunteer fire companies or fire districts. In any municipality with more than three volunteer fire companies or fire districts, the governing body may appropriate an additional \$50,000 annually for each additional volunteer fire company or fire district. Please review [Local Finance Notice 2024-14](#) for additional information.

As amended by [L. 2022, c.12](#), N.J.S.A. 40:5-2 allows a municipality or county to appropriate up to \$125,000 annually as a contribution to a duly incorporated volunteer first aid, ambulance, or rescue squad association rendering service generally throughout the municipality or county, along with an additional amount not to exceed \$70,000 annually if the association demonstrates extraordinary need directly related to the performance of the association's duties.

Whenever the total annual contribution to a volunteer first aid, ambulance, or rescue squad association exceeds \$70,000, the municipal or county CFO, as applicable, shall receive an audit performed by a certified public accountant or a registered municipal accountant of the association's financial records for the current year which shall certify to the governing body that such records are being maintained in accordance with sound accounting principles.

Additional sums may be appropriated as deemed necessary for the purchase of first aid, ambulance, rescue or other emergency vehicles, equipment, supplies and materials for use by a volunteer first aid, ambulance, or rescue squad association; however, the title to these items shall remain with the county or municipality, as applicable, which shall control and disburse the funds.

Municipal Library Tax Levy: 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 Municipal 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 2021, 2022, 2023 and 2024 budgets should now be posted **including the corresponding user-friendly budget sections**. Once adopted, the 2025 budget must be posted at which point the 2021 adopted budget may be dropped. Municipalities without websites must submit a pdf copy of their adopted budgets for the current year and three prior years for posting on the Division's website, emailing dlgs@dca.nj.gov with the subject heading "Adopted Budget DLGS Website Posting."

Approved: Michael F. Rogers, Director

Document	Internet Address
FAST Updates	https://www.nj.gov/dca/dlgs/Fast.shtml
Municipal & County Budgets	https://www.nj.gov/dca/dlgs/programs/mc_budgets.shtml
NJDEP WQAA Webpage	https://www.state.nj.us/dep/watersupply/g_reg-wqaa.html
WQAA Annual Report Template	https://www.state.nj.us/dep/watersupply/xls/wqaa-capital-improvement-report-template-worksheet.xlsx
NJDEP Online Submission Portal	https://dep.nj.gov/online/
Local Finance Notice 2024-14	https://www.nj.gov/dca/dlgs/lfns/2024/2024-14.pdf
L. 2022, c.12	https://pub.njleg.state.nj.us/Bills/2022/PL22/12_.PDF
Local Finance Notice 2018-17	https://www.nj.gov/dca/dlgs/lfns/2018/2018-17.pdf