

Local Finance Notice

LFN 2024-21R

March 13, 2025

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Appropriations Cap Relief for CY2025/SFY2026 Budgets

Note: This revised Notice supersedes Local Finance Notice 2024-21, originally issued on December 18, 2024, due to the Local Finance Board's March 12, 2025 approval of additional one-time municipal appropriations cap exceptions for Liability Insurance and Worker's Compensation Insurance.

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.

At its December 11, 2024, meeting, the Board approved the following appropriation increases in excess of 3.5% for the following CY2025/SFY2026 budget appropriation:

- Garbage and Trash Removal and Disposal
 - restricted to municipalities that did not utilize this exception in their CY2023,2024/SFY2024,2025 budgets.

At its March 12, 2025 meeting, the Board approved the following appropriation increases in excess of 3.5% for the following CY 2025/SFY2026 appropriations:

- Liability Insurance (including Property, Casualty & Cybersecurity); and
- Worker's Compensation Insurance.

The appropriation cap exceptions 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: Worker's Compensation Insurance
- 2) 23-210: Liability Insurance (including Property, Casualty, and Cybersecurity)
- 3) 26-305: Garbage and Trash Removal
- 4) 32-465: Landfill/Solid Waste Disposal Cost

Those municipalities that utilized the Garbage and Trash Collection and Disposal exclusion in their CY2023 or 2024/SFY2024 or 2025 municipal budget cannot utilize the same exclusion in their CY2025/SFY2026 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.

Approved: Michael F. Rogers, Director

Document	Internet Address
2025 Levy Cap Workbook	https://www.nj.gov/dca/dlgs/programs/mc_budget_docs/2025/2025CYlevycapcalcwrkbbk-muni.xls
2025 Municipal Budget Template	https://www.nj.gov/dca/dlgs/FAST/2025/2025_Municipal_Budget_Template.xlsm
FCOA Code Listing	https://www.nj.gov/dca/dlgs/FAST/Budget_FCOA_Codes.xlsx