

Local Finance Notice

LFN 2025-03

February 07, 2025

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Distribution

Municipal Elected Officials
Municipal
Managers/Administrators
Municipal CFOs
Municipal Clerks

Transitional Aid Application Process

MANDATORY NOTIFICATION OF INTENT TO APPLY AND MANDATORY ORIENTATION FOR NEW APPLICANTS

Any municipality that intends to apply for CY 2025/FY 2026 Transitional Aid to Localities (Transitional Aid) must notify the Division of Local Government Services (DLGS) by emailing the information set forth in the "Notice of Intent to Apply" to dlgs-ta@dca.nj.gov by no later than February 21, 2025 for CY 2025 applicants and no later than August 25, 2025 for FY 2026 applicants.

The Mayor and Chief Administrative Officer of each municipality **not** currently receiving Transitional Aid and applying for CY 2025 / FY 2026 aid will be required to attend a mandatory orientation meeting to discuss the application process and conditions of the award. The meeting for applicants not currently receiving Transitional Aid will take place on a date and time as agreed to by the applicant and the Director of the DLGS. Orientation meeting attendance is not required for municipalities currently receiving Transitional Aid.

The application deadline will be Friday, March 7, 2025, for CY 2025 applicants and Monday, September 29, 2025, for FY2026 applicants.

The application process for all applicants is described below.

A. New Applicants

Any municipality that did not receive Transitional Aid in CY 2024 / FY 2025 and is applying for aid in CY 2025 / FY 2026 shall agree to State oversight that begins on the date the application is submitted – not on the date of Transitional Aid award, if any. State oversight pursuant to this condition of application will terminate if no award is provided or if the application is withdrawn. Oversight upon application will be consistent with standard conditions imposed on recipients of aid, as discussed in more detail below.

Transitional Aid is the only discretionary aid available for municipal budgets and will only be available to municipalities that have severe structural difficulties and anticipate problems making payments toward nondiscretionary or critical obligations, including, but not limited to, debt service, contractual obligations, and payroll.

The application, evaluation, and award process are rigorous and developed to apply solely to municipalities that have severe structural financial problems.

A Transitional Aid award is conditioned on the municipality meeting the following requirements:

- Submitting to broad State oversight of hiring, procurement, and other matters;
- Performing reasonable revaluations or reassessments of property as required by law; and
- Submitting to such additional fiscal control measures as may be directed by the DLGS.

Applicants who are awarded aid will be required to sign a Memorandum of Understanding (MOU) with the DLGS acknowledging State oversight and committing to compliance therewith. A sample of the [current MOU](#) is online.

The application and introduced budget should only reflect funding for essential services. Budgets must eliminate discretionary spending funded by property taxes, such as discretionary accounts for elected officials.

B. CY 2024/FY 2025 Transitional Aid Recipients Applying in CY 2025/FY 2026

Municipalities that received Transitional Aid in CY 2024 / FY 2025 and are operating under an MOU through the end of 2025 will be eligible for early termination of the terms of the MOU if they sign an agreement not to apply for additional aid for CY 2025 / FY 2026 and for the next two budget years. These municipalities are encouraged to contact the Director of the DLGS to make application for early termination.

In addition, municipalities applying for CY 2025 / FY 2026 Transitional Aid must certify that they are in substantial compliance with the conditions and requirements of their 2024 MOU.

Finally, municipalities currently operating under a Transitional Aid MOU are advised that funding will likely decrease from last year. Transitional Aid is designed as short-term gap financing to assist municipalities through temporary fiscal crises. It is not intended to provide long-term budgetary supplementation. Applicants seeking level or increased funding must include a letter from the mayor addressing why they failed to reduce their need for funding.

The DLGS will consider reducing oversight provisions in the MOU for those municipalities requesting an amount of Transitional Aid for CY 2025/FY 2026 that reflects a reduction of at least 15% of aid provided in CY 2024/FY 2025 or otherwise demonstrating sustainable structural improvements in their fiscal management practices.

C. Eligibility to Apply

Applicants must meet the minimum criteria listed below to be considered for the award of funds under the Transitional Aid program. Numbers 1 through 6 apply to all municipalities, while

numbers 7 and 8 set forth additional eligibility criteria for municipalities that did not receive Transitional Aid during CY2024/FY2025.

1. All financial documents shall be received by the DLGS on or before Friday, March 7, 2025 for calendar year municipalities and on or before Monday, September 29, 2025, for state fiscal year municipalities. For the purposes of budget introduction only, municipalities may anticipate 85% of Transitional Aid funds received in the previous year. This level of funding is not a guarantee and is only permitted for the limited purposes of advancing a budget for introduction. The budget shall be subject to DLGS review (no local examination). Municipalities that have adopted their budgets are not eligible for aid.
2. The municipality must demonstrate reductions or limited increases in Salary and Wage (S&W) costs. The DLGS expects that the municipality shall have engaged with its unions and non-union employees to effectuate savings through reduced salary costs, reduced staffing levels, modified work rules, modified controllable benefits costs, or other efforts to mitigate S&W costs.
3. The introduced budget must contain a 2% increase over the prior year's tax levy if it doesn't exceed the tax levy cap workbook maximum allowed by the Local Budget Law, N.J.S.A. 40A:4-1 et seq. It should be noted that this requirement is for planning purposes only and will not prohibit aid from being awarded, allowing for a final budget with a different levy.
4. The municipality must demonstrate severe fiscal distress that will result in a constrained ability to raise sufficient revenues to meet budgetary requirements. If such fiscal distress was created by the municipality (i.e., deliberately deferring costs, issuing debt with "balloon payments," overspending budgets without basis, or imprudently using one-time resources without taking steps to plan for the loss of the revenue), the applicant's chance of success will be diminished substantially.
 - Severe fiscal distress can be demonstrated by the presence of substantial structural or accumulated deficits and/or limited ability to raise supplemental non-property tax revenues.
 - The "constrained ability" criteria must document why existing local revenues, including utility and other fees, municipal court revenues, and property taxes, cannot be raised to cover increased costs or offset reduced revenues. If available, other local revenue-raising options must be implemented as part of the application.
 - Documented extraordinary demands for public safety appropriations can be used to supplement the lack of ability to raise revenues.
5. The budget must show spending restraint from CY 2024 / FY 2025. This must include documented efforts to share municipal services, including public safety dispatch, code enforcement, public health services, and other services offered by neighboring

municipalities, area boards of education, local authorities, or the county, if those costs are less than the current full cost of providing equivalent service. Municipalities should document demonstrated efforts to reduce energy costs, including bidding (individually or through a cooperative) for electricity and natural gas and implementation of renewable energy systems.

The application must also include an explanation and documentation of all cost reduction efforts, including attempts explored but not implemented and why they were not achieved.

6. The municipality must provide an assessment of existing local revenues, including whether rates or collections can be increased, and a plan to implement potential changes. Please note that the municipality must demonstrate that user fees have been established where reasonable and practicable for discretionary services to avoid taxpayer subsidy of nonessential programs.
7. For applicants not currently receiving Transitional Aid, the municipal governing body shall adopt a resolution authorizing application to the DLGS and acknowledging that upon submission of the application, State oversight shall begin immediately and will be terminated only upon one of the following conditions: (1) the application for aid is withdrawn; (2) notice is received that no award of funds will be provided in CY 2025 / FY 2026. If a grant is awarded, then supervision is memorialized pursuant to the terms of an MOU executed as a condition of award.
8. Applicants not currently receiving Transitional Aid may apply if they meet criteria #1 through #7 above AND must have suffered an extraordinary revenue loss or extraordinary appropriation increase (other than appropriation increases common to other municipalities).

D. Application Requirements

Together with the application, the municipality shall provide the following to DLGS in electronic format:

1. The budget documentation provided to the governing body in support of budget line items. The DLGS reserves the right to request additional budget documentation.
2. Current organizational charts showing budgeted positions and titles.
3. ***For new applicants only*** - In Excel format, separate files for each of the last four years showing the name of each officer and employee of the municipality as of the first payroll period of the calendar year together with their annual salary, title, department, and date of hire.
4. If the municipality does not participate in the State Health Benefits Plan (SHBP), a written explanation as to why not and how much, if any, the municipality saves by not using the

SHBP should be provided. In addition, support documentation regarding employee health benefit contributions must be provided pursuant to Chapter 78.

5. Debt service schedules for all municipal obligations, including municipally operated utilities, listed by payment date.
6. A list of all motor vehicles owned or leased by the municipality (excluding construction equipment and fire apparatus); the department assigned its use; if the vehicle is assigned to an individual, the name of the individual; and if the vehicle is used by the individual outside of the regular workday or taken home by the individual.
7. For Civil Service municipalities, a certified statement (part of the application form) from the head of personnel or human resources stating that the municipality has placed the names of all current civil service employees in the [County and Municipal Personnel System \(CAMPS\)](#).
8. For applicants not currently receiving Transitional Aid, the municipality must submit a resolution agreeing to State supervision upon application (See #7 under "Eligibility to Apply").
9. The municipality's Chief Administrative Officer must provide a certification that copies of all active collective negotiations' agreements and the cost-out of each have been delivered to PERC. Support documentation regarding the method of cost out must also be provided.

E. Other Conditions

The DLGS must receive applications and related material, including introduced budgets, for CY2025 by Friday, March 7, 2025, and for FY 2026 by Monday, September 29, 2025. After the application is submitted, the Mayor, Chief Administrative Officer, and Chief Financial Officer shall participate in a remote meeting or in-person meeting, as scheduled by the DLGS staff, to discuss the application. The DLGS reserves the right to request additional information during the application review process. By submitting the application, the municipality acknowledges that pursuant to law, the Director's discretionary decision regarding aid awards is final and not subject to appeal.

No applicant should assume the receipt of any aid. Municipal governing bodies applying for aid should act and plan accordingly, including advancing a levy referendum, if appropriate, to prepare for the possibility of not receiving aid.

Award decisions are expected to be made as soon as possible thereafter so that municipalities can plan for a levy cap referendum if necessary.

The [application](#) can be downloaded from the DLGS website. Please email any questions to dlgs-ta@dca.nj.gov with the subject heading "Transitional Aid Question."

Approved: Michael F. Rogers, Director

Document	Internet Address
Online MOU	https://www.nj.gov/dca/dlgs/resources/transitional_aid/Model_MOU_Final.pdf
Model Ordinance	https://www.nj.gov/dca/dlgs/resources/transitional_aid/pay_to_play_ordinance-contractor.docx
Downloadable Application	https://www.nj.gov/dca/dlgs/resources/transitional_aid/CY2025.FY2026%20TA%20Application%20FINAL.docx
CAMPS (Civil Service)	https://info.csc.state.nj.us/camps/Login.aspx

Appendix A

Instructions for Completing the Transitional Aid Application Form

Complete the application in its entirety. Use the criteria for application in this Notice to determine if the municipality is eligible to apply. The DLGS will review the form for eligibility and will reject forms that do not meet the criteria.

Application:

1. The application is designed to be filled out using Microsoft Word.
2. The signed and certified application and all associated material must be submitted electronically.
3. Fields will expand if additional room is needed to complete an item; additional pages may be added if text continues to an extra page.

Submission Checklist:

- Signed and certified application.
- Copy of introduced budget, Annual Financial Statement, and budget documentation.
- Organization charts.
- Copies of current labor contracts.
- Copies of salary ordinances/resolutions and any contracts of non-union affiliated individuals.
- Debt service schedules for all municipal obligations, including municipally operated utilities; all listed by payment date.
- For prior recipients requesting level or increased funding, a letter from the mayor explaining why they failed to reduce their need for funding.
- For new applicants, a governing body resolution authorizing the application and agreeing to State supervision immediately upon filing of the application.
- A list of all motor vehicles owned or leased by the municipality (excluding construction equipment and fire apparatus); the agency assigned to its use; if the vehicle is assigned to an individual, the name of the individual; and if the vehicle is used by the individual outside of the regular workday or taken home by the individual.
- A certification that copies of all active collective negotiations' agreements and the cost-out of each have been delivered to PERC. Support documentation regarding the method of cost out must also be provided.
- List of all existing shared service agreements.
- List of documented efforts to share municipal services, including public safety dispatch, code enforcement, public health services, and other services offered by neighboring municipalities, area boards of education, local authorities, or the county, if those costs are less than the current full cost of providing equivalent service.

Submission Instructions:

- E-mail electronic forms to dlgs-ta@dca.nj.gov, with “<name of municipality> Transitional Aid Application” in the subject line.
- Submit one copy of the signed application form and any printed documents to:
Transitional Aid Program
Division of Local Government Services
101 South Broad Street
PO Box 803
Trenton, NJ 08625-0803

Contact the DLGS at dlgs-ta@dca.nj.gov with any questions. Please put “Transitional Aid Question” in the subject line.

Notice of Intent to Apply - Transitional Aid Program

CY2025 / FY2026 Transitional Aid to Localities (Transitional Aid)

Division of Local Government Services

New Jersey Department of Community Affairs

Complete this form if the municipality is considering applying for financial assistance under the Transitional Aid program in CY2025 / FY2026. Submission of the form is non-binding and does not require a municipality to submit a formal application. It is for informational and planning purposes only.

File the Notice **no later than February 21, 2025** for CY2025 applicants and no later than August 25, 2025 for FY 2026 applicants.

In addition, the Mayor and/or Chief Administrative Officer of potential CY2025 / FY2026 applicants (provided they are not currently recipients of Transitional Aid) **must attend the orientation meeting** as agreed to by the applicant and the Director of the Division of Local Government Services.

Name of Municipality:		County:	
Contact Person:		Title:	
Phone:		Fax:	
		E-mail:	

Submit the Notice by email (dlgs-ta@dca.nj.gov) with the subject line: "TA Notice of Intent" or mailing it to:

Transitional Aid Program
 Division of Local Government Services
 PO Box 803
 Trenton, NJ 08625-0803