Dear Mayor:

The development and adoption of a municipal budget is one of the most important responsibilities of an elected official. The budget, which is the municipality’s funding tool, represents the public policies of the municipality and how they are funded. As you continue to prepare your 2017 municipal budget we would like to bring to your attention Local Finance Notice 2016-20, recently issued by the Division, detailing Calendar Year (CY) 2017 Budget matters.

I. CY 2017 Budget Deadlines

The Division of Local Government Services has extended the deadline to introduce your CY 2017 budget to March 17. It is important to be mindful of these dates as you develop your budget. First, in the past, the timely adoption of the municipal budget has been a best practices question. Secondly, the Division has been taken a harder line with municipalities that adopt their budgets. Governing body members who willfully fail or refuse to timely adopt their budgets can be subjected to a daily personal penalty of $25.

The proposed changes (absent referendum dates) are:

<table>
<thead>
<tr>
<th>Introduction and Adoption of Budget – Non Referendum</th>
<th>Statutory Date</th>
<th>Revised Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mayor/Council Faulkner Act (Executive) budget transmission to governing body</td>
<td>1/15</td>
<td>2/17</td>
</tr>
<tr>
<td>Municipal introduction and approval of budget</td>
<td>2/10</td>
<td>3/17</td>
</tr>
<tr>
<td>Municipal adoption</td>
<td>3/20</td>
<td>4/21</td>
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Notwithstanding the revised dates, a budget may be adopted anytime within 10 days of receiving the Director’s certification of approval of the budget.

II. FY 2018 State Aid

One of the unknowns you face when preparing your municipal budget is how much State Aid your town will receive. This number is not known until the Governor’s budget is presented. The Governor is scheduled to deliver his State Budget address on Tuesday, February 28. According to the Local Finance Notice, at the very latest, immediately after the budget is proposed the
Division will notify municipalities of the CMPTRA and Energy Tax Receipts amounts that can be anticipated in their budgets.

III. Local Examination

If a municipality meets certain standards they are able to locally examine their budget in any 2 of 3 consecutive years. This year the Division will be examining Group 1 budgets. If your municipality is considered a Group 2 or 3 you can have the Division examine your budget but you first must pass a resolution prior to the introduction of the municipal budget.

IV. Health Insurance Contribution and Waiver Accounting

The 2010 property levy cap law included an exception for health care cost. The exception is based on the average State Health Benefits increase, which is 2.4% for 2017. The Division has also outlined how employee contributions for health insurance should be accounted and that the formal budget message must contain information showing the amounts contributed from employees, the employer share, and total costs. The disclosure may be broken down by employee group.

V. Transitional Aid Application Process

CY municipalities in financial distress will have only one opportunity to apply for Transitional Aid. It is anticipated that the funding for the program will continue to decline and only the most financially stressed municipalities in danger of being unable to meet debt service, basic payroll, and other essential functions will be eligible for aid. For budgeting purposes, the 10 municipalities that received Transitional Aid in CY 2016 may anticipate Transitional Aid in an amount equal to 85% of their CY 2016 aid allocation. The due date for the application will be set shortly.

The Local Finance Notices detailed issues that a municipality should consider when preparing their 2017 municipal budget. We suggest you review the notice with your professional staff.

Contact: Lori Buckelew, Senior Legislative Analyst, 609-695-3481 ext. 112 or lbuckelew@njslom.org.

Sincerely,

Michael J. Darcy, CAE
Executive Director