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Local Finance Notice

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Proposed CY2015

Municipal User-Friendly Budget Form

The Local Finance Board approved a rule proposal at its September 10, 2014 meeting that would implement a 2007 law (N.J.S.A. 40A:5-48) requiring the promulgation of municipal user-friendly budget forms.

[N.J.A.C. 5:30-3.8](#), as proposed, incorporates a user-friendly budget form the must be included as part of each municipality's introduced and adopted budget. If adopted by the Local Finance Board, each municipality commencing with those introducing Calendar Year 2015 budgets would submit the user-friendly budget in electronic form to the Division of Local Government Services. Hard copies of the User Friendly Budget would also be submitted with the introduced and adopted budget.

The proposed rule and [user-friendly budget form](#) are only for discussion and is not a required filing at this time.

Objective of the User-Friendly Budget

For the last several decades, the municipal annual budget has been designed to allow examination and approval by the Division to protect against bankruptcies, defaults, and otherwise ensure compliance with State budget laws and rules. However, its format is highly technical and can be difficult for individuals without professional certifications to understand. It also leaves out or obscures data useful for understanding a municipality's fiscal condition and spending obligations.

The user-friendly budget summarizes the municipality's annual operating budget and better pinpoints where taxpayer dollars are going. Transparency will be enhanced by making the annual municipal budget more accessible to the average citizen. Elected officials will also have a powerful tool with which to assess their municipality's fiscal health. The user-friendly budget will make it easier to identify and prevent waste, fraud and abuse.

Making the user-friendly budget part of the introduced municipal budget enhances access to timely information that will enable greater understanding and allow more meaningful participation in the budget process

Commenting on the Rule Proposal and Proposed User-Friendly Form

The Local Finance Board's municipal user-friendly budget rule proposal may be found on the [Rules and Regulations](#) section of the Division of Local Government Services website. Comments on the rule proposal are due no later than December 19, 2014 and may be submitted via email to dlgs@dca.nj.gov with the subject heading "N.J.A.C. 5:30-3.8 User-Friendly Budget Section" or by regular mail addressed as follows:

Patricia Parkin McNamara, Executive Secretary
Local Finance Board
Department of Community Affairs
P.O. Box 803
Trenton, New Jersey 08625-0803

Please note that the process for commenting on the municipal [user-friendly budget form](#) itself is different because, while the form is based on the rule, it is not incorporated by reference and thus not a part of the rule itself. The proposed form is not final; public input is encouraged and the Division reserves the right to modify the form if the Board adopts the rule. Those that wish to provide input or suggestions on the user-friendly budget form should email dlgs@dca.nj.gov with the subject heading "Municipal User-Friendly Budget Form" no later than December 19.

The Local Finance Board's earlier municipal user-friendly budget rule proposal, published in the December 17, 2012 New Jersey Register, envisioned the creation of an electronic reporting platform that would then convert into a visual budget data interface on the Division's website. The prior proposed rule, never adopted by the Local Finance Board, has been superseded by the current user-friendly budget rule proposal.

Format of the Municipal User-Friendly Budget

Data submission is organized into the following sections (tabs):

- UFB-1 Property Tax Breakdown
- UFB-2 Anticipated Revenue Summary - All Operating Funds
- UFB-3 Appropriations Summary & Budgeted Positions - All Operating Funds
- UFB-4 Structural Imbalances (relocated from Sheet 3b(2) of municipal budget)
- UFB-5 Assessed Property Valuations and Exempt Properties - Aggregate Values
- UFB-6 Assessed Property Valuations and Exempt Properties - Exemptions/Abatements
- UFB-7 Budgeted Personnel Costs
- UFB-8 Health Benefits
- UFB-9 Accumulated Absence Liability (relocated from Sheet 3b(3) of municipal budget)
- UFB-10 Outstanding Debt; Per Capita and Budget Impact
- UFB-11 Shared Services

Manual entry fields are shaded in beige, with formulas calculating the amounts in certain fields. A description of each section follows.

UFB-1 Property Tax Breakdown

Residential taxpayers are often unclear about how their property taxes are broken down, as well as the comparative impact of each tax levy on their pocketbook. Here the various categories of property tax are broken down by tax rate, tax levy and the amount that the average residential taxpayer pays toward each. A comparison of the municipal purposes tax rate and levy, along with the residential taxpayer impact thereof, between the prior and current budget years is also calculated and displayed. Total taxable valuation of the municipality as of October 1st of the prior year is entered into Cell D21 (for municipalities in counties where the pilot assessment calendar has been implemented pursuant to P.L. 2013 c. 15, the date appropriate to the pilot calendar is entered into Cell C21). The average residential assessment displayed in Cell D22 does not include farmland assessments.

Actual tax collections, along with the total in delinquent taxes, for the prior year are shown. The Reserve for Uncollected Taxes, the large appropriation required in each budget to account for taxes billed but not collected, is also set forth along with the method of its calculation. Reasons why taxes are not collected as billed include taxes canceled because of appeals against assessed valuations and, of course, as a result of property owners who simply delay or completely neglect making their tax payments.

UFB-2 Anticipated Revenue Summary (All Operating Funds)

This summary sheet provides total revenues in general categories, along with a comparison from the prior to current budget years. Revenue is reported for the proposed Budget from the Current Fund and from each Utility fund in the following categories:

- Surplus Utilized
- Local Revenue
- State Aid (without offsetting appropriations)
- Uniform Construction Code Fees
- Shared Service Agreements
- Additional Revenue offset by Appropriations
- Public & Private Revenue offset by Appropriations (Grants)
- Other Special Items
- Receipts from Delinquent Taxes
- Municipal Tax Revenues, including Local Purpose Tax; Minimum Library Tax and Addition to Type I School District Tax

The available surplus going into the current budget year compared to the prior year is displayed for all categories.

UFB-3 Appropriations Summary (All Operating Funds)

Appropriations would be allocated into summary categories for the current fund, grant fund and each utility fund, along with a comparison of dollars spent from the prior to current budget years.

All full and part-time budgeted personnel positions (current year) are allocated within each category as applicable. This sheet discloses the number of employees funded in the current year budget. Employees should be shown as funded by each category. If an employee is funded in more than one department, their time charged to each department should be shown as a fraction. Part-Time is defined as less than 30 hours. Full-Time and Part-Time Employee counts are displayed for each Budget Spending Category.

Appropriations categories encompass:

- General Government (FCOA CAFR Code 20): includes Elected Officials, Clerk, Business Administrator, Financial Administration, Technology, Legal, Economic Development and municipal office employees not included in other listed budget categories.
- Land Use Administration (FCOA CAFR Code 21): includes the Planning Board, Zoning Board of Adjustment, and Affordable Housing.
- Uniform Construction Code Enforcement (FCOA CAFR Code 22): includes the budget for all building sub-code officials who enforce the Uniform Construction Code and other code enforcement functions that are outside the scope of the UCC.
- Insurance - (FCOA CAFR Code 23): includes Employee Health Benefits (medical, dental, prescription health coverage and other health-related benefits), Liability, Property Casualty, Workers Compensation and any other insurance costs.
- Public Safety (FCOA CAFR Code 25): includes 911 Communications, Police, Fire, Ambulance/Rescue, Emergency Management and any other public safety costs.
- Public Works (FCOA CAFR Code 26): includes Street and Road Maintenance, Sanitary Sewer Services, Stormwater Management, Solid Waste, Recycling, Vehicle Maintenance and other miscellaneous public works functions.
- Health & Human Services (FCOA CAFR Code 27): includes Animal Control, Board of Health and various health, human services and social services programs provided by your municipality for veterans, senior citizens, teens or other groups.
- Parks and Recreation (FCOA CAFR Code 28): includes Maintenance of Parks, Administration of Recreation Programs and Community Centers, as well as special community events/celebrations and other similar functions.
- Education (FCOA CAFR Code 29): includes Library and other similar educational functions

- Utilities (FCOA CAFR Code 31): includes all utility costs paid through the municipal budget - gas, electric, water, sewer, etc.
- Statutory Expenses (FCOA CAFR Code 36): includes Pension, Social Security, Unemployment, and other related payroll taxes
- Court/Public Defender (FCOA CAFR Code 43)

Other categories include: Unclassified (FCOA CAFR Code 30); Contingency (FCOA CAFR Code 35); Judgments (FCOA CAFR Code 37); Shared Services (FCOA CAFR Code 42); Capital (FCOA CAFR Code 44); Debt (FCOA CAFR Code 45); Deferred Charges (FCOA CAFR Code 46); Debt-Type 1 School District (FCOA CAFR Code 48) and Reserve for Uncollected Taxes (FCOA CAFR Code 50).

UFB-4 Structural Budget Imbalances

Responsible budgeting involves not only spending restraint but also sound fiscal expectations. The structural imbalance sheet requires an individual listing of all structural imbalances, including offsets, with a description for each and the amount thereof. Revenues at risk, non-recurring current appropriation reductions, future year appropriation increases and structural balance offsets must be listed individually and described.

This sheet is the same as the one that currently appears on Sheet 3b(2) in the standard municipal budget, and will eventually be relocated to the user-friendly budget form if the Local Finance Board adopts the proposed rule.

UFB-5 Property Tax Assessments

Included in this portion of the user-friendly budget form are the aggregate values of properties subject to property tax assessment, as well as tax-exempt properties for the prior year. For most municipalities the relevant date will be October 1 of the prior year; however, municipalities in counties utilizing the pilot assessment calendar set forth by P.L. 2013, c.15, the date appropriate to the pilot calendar shall be used.

Equalized valuation, the average ratio of assessed versus true value and the number of property tax appeals must also be entered for the prior year.

UFB-6 Property Tax Abatements/Exemptions

This sheet requires a municipality to include the number and value of outstanding five-year exemptions and abatements as well as long-term tax exemptions.

Incentives provided under the Long Term Tax Exemption Law (N.J.S.A. 40A:20-1 et seq.) and the Five-Year Exemption and Abatement Law (N.J.S.A. 40A:21-1 et seq.) can be valuable tools for revitalizing areas in need of redevelopment or rehabilitation. Many of these incentives come in the form of Payments in Lieu of Taxes (PILOTs). Having a clear picture of the number and value of abatements and exemptions a municipality has awarded improves the ability of

local policymakers' ability to assess their impact on municipal revenues and make sound judgments on the award of new property tax incentives.

The proposed user-friendly budget form would require each municipality to report 1) a list of projects (i.e. properties) subject to the Long-Term Exemption Law and the aggregate impact of exemptions/abatements subject to the "Five-Year" law; 2) the taxable value of those projects; 3) the actual revenue generated from projects; and 4) the amount of revenue that would have been generated if those projects were subject to full taxation.

UFB-7 Budgeted Personnel Costs

For the current year, this section displays the base pay, estimated pension costs, health benefit costs (net of employee contribution), overtime and other compensation, and employment taxes and other benefits for police, fire, supervisory staff, governing body members and all other union and non-union employees. The number of full and part-time employees in each of the aforementioned groups would also be listed, along with whether the municipality is subject to Title 11A (Civil Service).

UFB-8 Health Benefit Costs

This section asks municipalities to detail current year health benefit costs for active employees, elected officials and retirees, along with the extent of employee cost sharing contributions. If actual premium payments are not paid (i.e. self-insured funds) then the annual cost is based on the COBRA rate.

UFB-9 Accumulated Absence Liability

Accumulated absence liability, the amount that a municipality owes to an employee for unused sick and vacation time, can be a substantial sum reaching as high as several hundred thousand dollars for a single highly compensated employee. Both the public and local elected officials benefit from a clear picture of accumulated absence liability on present and future municipal budgets. This section has been moved from Sheet 3(b)(3) of the regular municipal budget (and is identical).

The gross number of days of accumulated absence, the dollar value thereof, the legal basis for the absence and the funds available to fund the liability are listed. Each non-union employee eligible for the benefit must be listed individually. Accumulated absence liability for employees that are part of a collective bargaining unit are to be reported by bargaining unit.

UFB-10 Debt

This section requires municipalities to set forth their debt obligations for current and future budget years. Current year gross and net debt is broken down not only into the various types of municipal purposes debt (debt authorized, loans, outstanding bonds and notes, other debt) but also by utility fund and school debt. Outstanding principal and interest for bonds, notes, loans and other debt are shown for current and future budget years, along with guarantees, leases and other debt. To better show how municipal debt levels impact the average citizen, per capita

gross and net debt (current year) is calculated on the sheet, as is net debt as a percentage of the municipality's 3 year average property valuation.

UFB-11 Shared Services

Sharing services with other local governments can create efficiencies and save taxpayer dollars. This section allows the municipality to show the public the degree to which they are sharing services. Each municipality would list each shared service that they provide or receive, the other entity providing/receiving the service, the beginning and end date of the agreement and the amount paid or received for the service.

Conclusion

As proposed, the user-friendly budget will greatly benefit both the public and municipal officials. The user-friendly budget serves as an opportunity for each municipality to show how they prioritize spending and save taxpayer dollars. Further input and comment on the user-friendly budget is welcomed and encouraged.

Approved: Thomas H. Neff, Director

Table of Web Links

Document	Internet Address
User-Friendly Budget Rule Proposal	http://www.nj.gov/dca/divisions/dlgs/resources/rules_docs/PRN%202014-175%20(46%20NJR%202057(a)).pdf
Proposed User-Friendly Budget Form – CY2015 Municipal Budgets	http://www.nj.gov/dca/divisions/dlgs/programs/mc_budgets.html#1