

# RULE PROPOSALS

## INTERESTED PERSONS

Interested persons may submit comments, information or arguments concerning any of the rule proposals in this issue until the date indicated in the proposal. Submissions and any inquiries about submissions should be addressed to the agency officer specified for a particular proposal.

The required minimum period for comment concerning a proposal is 30 days. A proposing agency may extend the 30-day comment period to accommodate public hearings or to elicit greater public response to a proposed new rule or amendment. Most notices of proposal include a 60-day comment period, in order to qualify the notice for an exception to the rulemaking calendar requirements of N.J.S.A. 52:14B-3. An extended comment deadline will be noted in the heading of a proposal or appear in subsequent notice in the Register.

At the close of the period for comments, the proposing agency may thereafter adopt a proposal, without change, or with changes not in violation of the rulemaking procedures at N.J.A.C. 1:30-6.3. The adoption becomes effective upon publication in the Register of a notice of adoption, unless otherwise indicated in the adoption notice. Promulgation in the New Jersey Register establishes a new or amended rule as an official part of the New Jersey Administrative Code.

## COMMUNITY AFFAIRS

### (a)

#### DIVISION OF LOCAL GOVERNMENT SERVICES

#### LOCAL FINANCE BOARD

#### Annual Budget

#### Municipal Budgets, User-Friendly Budget Section

#### Proposed New Rule: N.J.A.C. 5:30-3.8

Authorized By: Local Finance Board, Thomas H. Neff, Chair.

Authority: N.J.S.A. 40A:4-22, 40A:4-83, and 40A:5-48.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2014-175.

Submit comments by December 19, 2014, to:

Patricia Parkin McNamara, Executive Secretary  
Local Finance Board  
Department of Community Affairs  
P.O. Box 803  
Trenton, New Jersey 08625-0803  
[dlgs@dca.state.nj.us](mailto:dlgs@dca.state.nj.us)

For comments submitted via e-mail, please name the subject heading "NJAC 5:30-3.8 User-Friendly Budget Section."

The agency proposal follows:

#### Summary

The Board is proposing a new rule that incorporates a user-friendly budget as a new section within the annual municipal budget. The user-friendly budget will enhance the transparency of municipal finances by making budget information more comprehensible and accessible to the everyday citizen, as well as the local elected officials who formulate policy. In addition, the user-friendly budget will allow the Division of Local Government Services (Division), concerned citizens, and other interested parties to more easily capture and report data critical to understanding a municipality's fiscal health and sustainability.

For the last several decades, the 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 is difficult for individuals without professional certifications to understand. It also leaves out or obscures data useful for understanding a municipality's fiscal condition and how tax dollars are being utilized. This proposed new rule will help improve the budget format.

N.J.S.A. 40A:4-22 and 40A:4-83 authorize the Local Finance Board to promulgate rules pertaining to municipal budgets and the reporting of information therein. N.J.S.A. 40A:5-48 requires the Local Finance Board to promulgate a plain language budget summary that both summarizes the

annual municipal budget and provides additional information useful for public understanding of the municipality's fiscal matters. This rule is being proposed to address the legislative intent behind these laws.

Subsection (a) of the proposed rule requires that the user-friendly budget be incorporated into both the introduced and adopted budgets as a separate section, and be made available to the public. Although N.J.S.A. 40A:5-48.a only requires the user-friendly budget to be submitted after the fact following municipal budget adoption, the Board finds that making the user-friendly budget part of the introduced and adopted municipal budgets enhances transparency. It also affords municipal elected officials and the public access to timely information that will help them understand the budget prior to its final adoption so that they can more meaningfully participate in the budget process.

Subsection (b) of the proposed rule requires the user-friendly budget to be in a format set forth by the Director of the Division of Local Government Services (Director). The Director is to provide standard and mandatory user-friendly budget section forms for use by each municipality, which shall be submitted both electronically and in such other manner as may be set forth by the Director.

Subsection (c) of the proposed rule states that all user-friendly budget data and information shall be for the current budget year unless otherwise stated; however, the Director shall have the discretion to require any current year data and information to be compared versus the prior year.

Subsection (d) of the proposed rule sets forth the data and information which must be included in the user-friendly budget. These items are set forth below.

The user-friendly budget must contain, for the prior and current budget years as appropriate, information pertaining to the tax levy and tax rate for each local government taxing entity. Tax rate data is required by the user-friendly budget statute. One tax bill is composed of multiple tax levies representing not only different levels of local government but also different tax levies within a particular local government. In New Jersey, municipalities collect taxes on behalf of all other local government entities. Tax levy and tax rate information will help the public better understand the breakdown of their property tax obligation and what portions impact the amount taxpayers must pay.

Information on the tax collection rate, required by the user-friendly budget statute, will enable both the public and local policymakers to more clearly see the percentage of taxes collected and delinquent and how the current year's budget is impacted by the anticipated tax collection rate.

A summary of anticipated revenue for all operating funds and appropriations by service type, required by the user-friendly budget statute, would be required for the current budget year with a comparison versus the prior budget year. The summarized format will make it easier for both the public and local elected officials to review and understand municipal revenues and spending. Display of appropriations by service type is required by the user-friendly budget statute. This section of the user-friendly budget would also include surplus, as well as information

on how personnel are budgeted and allocated amongst various municipal departments.

The user-friendly budget statute requires a description of unusual revenues or appropriations with a description of the circumstances for each. Paragraph (d)5 as proposed requires an individual listing of all structural imbalances, including any offsets, with a description for each and the amount thereof. This information is presently displayed in Sheet 3b(2) of the annual budget; adoption of the proposed rule would simply change where structural imbalances are reported to the user-friendly budget section.

The proposed rule will also provide the public with a clearer picture of each municipality's tax base. Proposed paragraphs (d)6 through 8 would require prior year data on aggregate values of assessed and exempt properties, divided by category, the average ratio of assessed to true value and the equalized valuation of all taxable properties, and information pertaining to property tax appeals. This section of the user-friendly budget addresses the user-friendly budget statute's requirement to include the assessed and taxable value of all real property. In addition, proposed paragraphs (d)9 and 10 would require the number and value of outstanding five-year and long-term exemptions/abatements up to the end of the prior year pursuant to N.J.S.A. 40A:21-1 et seq. and 40A:20-1 et seq., respectively; the user-friendly budget statute specifically requires information on long-term tax exemptions and abatements. Understanding the number and value of abatements and exemptions a municipality has awarded enhances transparency, improving the ability of public and local policymakers to make sound judgments on the award of new abatements and exemptions and better access their impact on municipal revenues.

Generally, personnel costs such as salaries and benefits are the most substantial cost drivers in a municipal budget. Proposed paragraph (d)11 would require personnel costs to be clearly displayed, including costs relating to elected officials' compensation, allowing the public to better scrutinize the level of and any increase in base salaries and overtime, along with the general cost of pension and other benefits. The net employer cost of medical and prescription benefits provided to employees, retirees, and elected officials would, pursuant to proposed paragraph (d)13, be set forth in detail. As the New Jersey Civil Service Law, found in Title 11A of the New Jersey Statutes, sometimes drives certain personnel-related costs, proposed paragraph (d)12 would require a municipality to state whether or not they are a Civil Service community.

Accumulated absence liability is the amount of money that a local government owes to an employee for unused sick and vacation time. This sum is a substantial liability that can reach into the hundreds of thousands of dollars for a highly compensated employee. The public and local elected officials benefit from a clear picture of future liabilities, the legal basis for those liabilities (for example, an individual employment contract, collective bargaining agreement, or a local ordinance), and how these liabilities impact present and future budgets. Proposed paragraph (d)14 would move the reporting of the gross number of days of accumulated absences, the dollar value thereof, and the legal basis for the benefit from Sheet 3(b)(3) of the annual budget to the user-friendly budget section.

Debt has a substantial impact on a local government's immediate and future budgets. The user-friendly budget statute requires reporting of the amount of municipal bonded indebtedness. Outstanding debt is not only contained in bonds, but also in vehicles such as notes, leases and guarantees of third party debt. Giving a clear picture of municipal debt obligations allows the public a more transparent view on their municipality's present and future fiscal condition, and provides local elected officials with a better tool for forecasting future budgeting priorities. Proposed paragraphs (d)15 through 19 require each municipality to display comprehensive data as it pertains to their gross and net debt, outstanding principal and interest, per capita gross and net debt, net debt as percentage of the average property valuation over a three-year basis, and the municipality's bond rating (if rated).

Sharing services with other local governments can create efficiencies and save taxpayer dollars by reducing personnel and other related costs. The user-friendly budget statute requires a list of shared services agreements in which the local unit is participating. Proposed paragraph (d)20 would require the reporting of each shared service provided, what entity provides or receives the service, the beginning and end date of the

agreement as applicable, and the amount paid or received for the service in the user-friendly budget section.

The Board issued an earlier rule proposal (PRN 2012-182), published in the December 17, 2012, New Jersey Register at 44 N.J.R. 3023(a), which implemented a user-friendly budget by requiring each municipality to enter comprehensive budget data on an electronic reporting platform created by the Division, which would then convert into a visual and data display on its website for purposes of public viewing. Under the earlier proposal, municipalities would have to use the platform to submit the data after the municipal budget was adopted. By contrast, the current proposal integrates the user-friendly budget into both the introduced and adopted annual municipal budget, aiding public and elected official input during the budget adoption process, rather than after the fact.

This rule proposal provides for a comment period of 60 days and, therefore, pursuant to N.J.A.C. 1:30-3.3(a)5, is not subject to the provisions of N.J.A.C. 1:30-3.1 and 3.2 governing rulemaking calendars.

#### **Social Impact**

The proposed new rule protects the public interest by enhancing the financial transparency of each municipal government and improving the public's ability to understand their municipality's fiscal condition. Adding a user-friendly budget section to the annual municipal budget enables the public to provide more meaningful input into the budget process. The user-friendly budget also improves policymaking by allowing local elected officials to better understand how their government is operating, and provides a tool to better communicate the municipality's budgetary priorities and fiscal condition to their constituents and the wider public.

#### **Economic Impact**

The Board anticipates that the proposed new rule will have a positive fiscal impact by enhancing fiscal accountability and efficiency on the municipal level. Information sought by the proposed new rule is currently accessible to municipal staff. The user-friendly budget will allow taxpayers and the overall public to better monitor how tax dollars are spent, help local elected officials better pinpoint areas in which to increase efficiency and reduce costs, and will enhance the comptroller function on both the State and local levels to reduce actual and potential waste, fraud, and abuse.

#### **Federal Standards Statement**

No Federal standards analysis is required because the proposed new rule is not being proposed to implement, comply with, or participate in any program established under Federal law or under a State law that incorporates or refers to Federal law, standards, or requirements.

#### **Jobs Impact**

The Board does not anticipate the creation or loss of any private sector jobs as a result of the proposed new rule. The Board expects the proposed new rule to empower policy makers and the public to advance best practices which may have positive impacts on local budgets and an indirect impact on jobs. For example, a more concise display of staffing costs and the allocation of staff amongst departments may motivate the public to push for, and/or local elected officials to reduce, staff as a way of cost-cutting. Another example, but to the contrary, could be a decision to hire additional employees in critical areas to correct deficiencies that become apparent as information is displayed in a meaningful manner – as with hiring that may be needed to reduce inordinate overtime costs and achieve net savings.

#### **Agriculture Industry Impact**

The Board does not anticipate that the proposed new rule will have an impact on the agriculture industry. The proposed new rule pertains to municipal budgetary reporting requirements.

#### **Regulatory Flexibility Statement**

The proposed new rule would not impose any reporting, recordkeeping, or compliance requirements on "small businesses" as defined by the New Jersey Regulatory Flexibility Act, N.J.S.A. 52:14B-16 et seq. The proposed new rule pertains to municipal budgetary reporting requirements.

**Housing Affordability Impact Analysis**

The proposed new rule may have a positive impact on housing affordability to the extent they enhance fiscal accountability to taxpayers and further motivate municipalities to operate more efficiently and pursue greater savings, thereby helping to ease the property tax burden on New Jersey homeowners.

**Smart Growth Development Impact Analysis**

The proposed new rule pertains to municipal budgets. As such, the rule will have no anticipated impact on housing production in Planning Areas 1 and 2, or within designated centers, under the State Development and Redevelopment Plan.

Full text of the proposed new rule follows:

5:30-3.8 Municipal budgets, user-friendly budget section

(a) The annual budget for every municipality shall include a section called the "User-Friendly Budget." The user-friendly budget section shall be part of and incorporated into both the introduced and adopted budgets, and be made available to the public.

(b) The user-friendly budget shall be in a format set forth by the Director, who shall provide standard forms for required use by each municipality, and be submitted electronically and in such other manner as may be set forth by the Director.

(c) All user-friendly budget data and information shall be for the current budget year unless otherwise stated; however, the Director shall have the discretion to require any current year data and information to be compared versus the prior year.

(d) The user-friendly budget section shall include the following:

1. For the prior and current year as appropriate, information pertaining to the tax levy and tax rate for each local government taxing entity;

2. Information pertaining to the prior year's tax collection rate, as well as the calculation for the current budget year of the reserve for uncollected taxes;

3. A summary of anticipated revenue for all operating funds for the current budget year, with a comparison versus the prior budget year. This item shall also include surplus;

4. A summary of appropriations by service type, with a comparison versus the prior budget year. This item shall also include information on how personnel are budgeted amongst various departments;

5. An individual listing of all structural imbalances, including any offsets, with the amount and a description for each;

6. Aggregate values of assessed and exempt properties, divided by category, as of the prior year;

7. The average ratio of assessed to true value and the equalized valuation of all taxable properties as of the prior year;

8. Information pertaining to the budgetary impact of property tax appeals as of the prior year;

9. As of the close of the prior budget year, the number and value of outstanding five-year tax exemptions/abatements awarded pursuant to N.J.S.A. 40A:21-1 et seq., divided by category;

10. As of the close of the prior budget year, the number and value of outstanding long-term tax exemptions awarded pursuant to N.J.S.A. 40A:20-1 et seq. For long-term tax exemptions, the Director may require that each project be broken down individually by project name and type;

11. Budgeted personnel costs, which shall also include costs relating to elected officials;

12. A statement as to whether the municipality is subject to the provisions of the New Jersey Civil Service Law, Title 11A of the New Jersey Statutes;

13. The net employer cost of medical and prescription health benefits provided to employees, retirees, and elected officials;

14. As of the final day of the prior budget year, the gross number of days of accumulated absences, the dollar value thereof, and the legal basis for the benefit. All non-unionized employees eligible for the benefit shall be displayed individually. For unionized employees, the number of days and the dollar value of same shall be broken down by bargaining unit;

15. Gross and net municipal and utility fund(s) debt;

16. Outstanding principal and interest for bonds, bond anticipation notes, utility fund(s), loans, guarantees, capital/equipment leases, and

other debt. In addition to the current year, such information may be displayed for the prior year and future years at the discretion of the Director;

17. Per capita gross/net debt based on most recent census data;

18. Net debt as percentage of the average property valuation over three years;

19. If rated, the bond rating along with the year of last bond rating; and

20. A listing of each shared service provided or received, what entity or entities are providing or receiving the service, the beginning and end date of the agreement as applicable, and the amount either received or paid for the service.

**HUMAN SERVICES**

(a)

**COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED**

**Prevention Services Program of the Commission for the Blind and Visually Impaired**

**Proposed Readoption with Amendments: N.J.A.C. 10:94**

**Proposed New Rules and Repeals: N.J.A.C. 10:94-3.8 and 3.12**

Authorized By: Jennifer Velez, Commissioner, Department of Human Services.

Authority: N.J.S.A. 30:1-2, 30:6-1 et seq., and 52:14B-3(1) et seq.

Calendar Reference: See Summary below for explanation of exception to calendar requirement.

Proposal Number: PRN 2014-173.

Submit comments by December 19, 2014, to:

Daniel Frye, J.D., Executive Director  
New Jersey Commission for the Blind and Visually Impaired  
153 Halsey Street  
6th Floor  
PO Box 47017  
Newark, NJ 07101  
or bruce.kastner@dhs.state.nj.us

The agency proposal follows:

**Summary**

N.J.A.C. 10:94 sets forth the rules describing the Commission for the Blind and Visually Impaired's Prevention Services Program (Prevention Program). The Commission for the Blind and Visually Impaired ("Commission" or "CBVI") was designated by N.J.S.A. 30:6-1 to provide "all means which it deems feasible for ameliorating the condition of the blind and visually impaired within the State." Pursuant to N.J.S.A. 52:14B-5.1.b, N.J.A.C. 10:94 is scheduled to expire on September 20, 2014. As the Department has filed this notice of rules proposed for readoption prior to that date, the expiration date is extended 180 days to March 19, 2015, pursuant to N.J.S.A. 52:14B-5.1.c(2).

The proposed amendments, new rules, and repeals provide a description of the services rendered by the Commission's Prevention Program. The amendments, new rules, and repeals are also intended to more clearly inform the public of the specific prevention services offered by the Commission and the standards and procedures that govern the delivery of these services. Additionally, the rules are designed to inform the public of the rights and responsibilities of the Commission and its clients in the provision and receipt of services.

A summary of the rules proposed for readoption follows:

**Existing Rules Proposed for Readoption**

N.J.A.C. 10:94-1 describes the purpose and scope of the Prevention Program and the definitions of terms and words used in the chapter.

N.J.A.C. 10:94-2 describes the eye health services provided in the Prevention Program, establishes who determines a medical eye