User Friendly Budget: DLGS Request for Comments on Proposed Reporting Platform

A law (enacted in 2007 which the previous administration chose not to implement) requires the Local Finance Board (LFB) to issue rules directing municipalities, counties, local authorities and fire districts to issue plain language budget summaries (“User-Friendly Budgets”). The purpose of that law was to make available -for local elected officials and members of the public, easy-to-understand budget information to help formulate policies and to provide an educational resource for the public.

Other laws, dating as far back as 1991, require municipalities to report certain information, and were never implemented by prior administrations. Among these laws are requirements to report information about exemptions, abatements, and the impacts of collective bargaining agreements.

The current administration believes the User Friendly Budget and laws ensuring transparency are important. Accordingly, the Division of Local Government Services (the Division) is working diligently to put regulations in place for 2013 Budgets that require disclosures in a single filing.

This notice explains a draft proposal to implement these laws. The proposal consists of a standard Excel spreadsheet municipal officials would be required to fill out and submit electronically to the Division as a supplement to standard paper submissions of introduced and adopted budgets. The Division intends to use the reported data, and prepare a standard, publicly available User Friendly Budget and other reports for each municipality and to make them publicly available.

The Division is not requiring municipalities to fill out the document at this time. We are simply asking interested parties to review the proposal and email constructive feedback to dlgs@dca.state.nj.us by September 28. The proposal may be accessed on the “Municipal and County Budgets” section of the Division’s website under “User Friendly Budget”. You may find the full link in our Table of Web Links at the end of this Notice.

Data Required to be Entered into Spreadsheet Template

The proposed data reporting template is broken up into the following sections:
**General Information.** The municipality must enter the budget year, their municipal code and “yes” or “no” to the question of whether they are a Civil Service jurisdiction.

**Fiscal Health Indicators.** Certain indicators provide clarity about a municipality’s fiscal health and overall financial sustainability. In this section, municipality must provide a transparent accounting of debt, surplus, property tax assessments and property tax collections for the current budget year and the three immediately preceding budget years.

The “Debt” category requires municipalities to list the following:

- Bond Rating (Moody’s, Fitch and Standard & Poor’s)
- Total Net Debt as a percentage of the three-year average of property values
- Total Debt Appropriations as a Percentage of the Total Budget
- Total Outstanding Net, Gross and School Debt
- Leases and other Financing
- Compensated Absence Liability – Total Dollar Value, Number of Days and Dollars Reserved at Year-End
- Post-Retirement Health Benefits – Accrued Liability
- Municipal Debt Guarantees

Under “Surplus”, municipalities must disclose the dollar amount of budget surplus used towards balancing their budget as well as their remaining available surplus.

The category “Property Tax Assessments and Collections” requires the following information:

- Property Tax Collection Rate
- Underlying Collection Rate (without Accelerated Tax Sales); found in AFS Sheet 22a, Line 11
- Assessed and Equalized Value of All Real Property within the Municipality
- Average Assessment of all Residential Property
- Average Assessment as a Percentage of Market Value
- Total Number of Property Tax Appeals Filed as of April 1 Deadline
Property Tax Data and Levy Cap. Residential taxpayers are often unclear about how their property taxes are broken down, as well as the impact that each type of tax levy has on their pocketbook. Here the various categories of property taxes are broken down for both the current and prior year by tax rate, tax levy and the amount that the average residential taxpayer pays toward each.

- Total Property Tax
- Municipal Purpose Tax (excluding municipal library)
- School Tax
- County Tax (includes all applicable subcategories such as County Library)
- Municipal Library Tax
- Fire Districts (average tax rate and levy if municipality has more than one fire district)
- Other special taxing districts (e.g. special improvement districts)

The property tax levy cap section asks municipalities to specify, for both the current and prior years, how much of their levy cap increase was “outside” of the levy cap due to statutory exceptions. Please see Local Finance Notices 2011-3R and 2011-36 for further information regarding statutory tax levy cap exceptions pursuant to N.J.S.A. 40A:4-45.45(b).

Tax Exemptions and Abatements. Incentives provided under the Long Term Tax Exemption Law and the Five-Year Exemption and Abatement Law, respectively, can be valuable tools for revitalizing areas in need of redevelopment or rehabilitation. Many of these incentives are offered in the form of Payments in Lieu of Taxes or “PILOTs”. However, taxpayers across New Jersey are demanding greater transparency on how property tax abatements and exemptions are awarded.

In order to effectuate the reporting requirements of N.J.S.A. 40A:5-48(b) and N.J.S.A. 40A:21-21, the data reporting template will require reporting for the current and prior years of a) the total number of projects (i.e. properties) subject to the Long-Term and Five-Year Exemption Laws; b) the taxable value of those projects; and c) the actual revenue generated from projects.

Personnel - Collective Bargaining Agreements. Collective bargaining agreements can substantially impact municipal finances. The 2% tax levy cap, as well as recently enacted binding arbitration reform, highlight the issue. For the current year and two immediately preceding years, municipalities must provide for each of their labor contracts the percentage increase in total base wages (including step increases), longevity and any other item of compensation included in “pensionable base pay”.

Health Benefits. This section asks municipalities to compare their current year health benefit costs (either non-SHBP or SHBP) with prior year costs. In addition, municipalities must enter costs of health benefits provided to elected officials and their dependents in the current and prior years indicated. The annual cost is based on the COBRA rate for the municipality’s health coverage.

Revenue. Revenue must be reported from the current year back to 2010, broken down into the following categories (with notations where the information sought corresponds with that included in the revenue reporting section of the standard municipal budget):
- Surplus Utilized (FCOA 8-100 [8-101 + 8-102])
- Local Revenue (corresponds with Sections “A” and “C”; FCOA 8-001 and 8-002)
- State Aid (corresponds with Section “B”; FCOA 09-001)
- Shared Service Agreements (corresponds with Section “D”; FCOA 11-001)
- Grants (corresponds with Section “F”; FCOA 10-001)
- Other Miscellaneous Revenue (corresponds with Sections “E” and “G”; FCOA 08-003 and 08-004)
- Receipts from Delinquent Taxes (FCOA 15-499)
- Municipal Tax Revenues (Local Purpose, Library and Type I School District) (FCOA 07-199)
- Land Sales and other One-Time Revenues

**Appropriations and Staffing.** This section requires appropriations to be allocated and subtotaled into Budget Spending Categories, with staffing and salary data provided for those Budget Spending Categories.

The Full-Time and Part-Time Employee categories must show the number of employees on the first municipal payroll in October for the Prior Year, and the number of employees anticipated in the Current Year budget. Part-Time is defined as 32 hours or less. Full-Time and Part-Time Employee counts need to be provided for each of the Budget Spending Categories. Total current and prior year Salaries and Wages should be provided for those employees in each spending category.

Current Year Budgeted, and Prior Year Paid and Charged Appropriations, are to be allocated and subtotaled pursuant to the following Budget Spending Categories, grouped by the applicable line items from the Flexible Chart of Accounts:

- General Government (FCOA 20-100 through 129 and related grants) includes salaries and expenses for elected officials, municipal clerk, business administrator, and generally for municipal office employees not included in other budget categories listed below.

- Financial Administration (FCOA 130 through 154 and related grants) includes salaries and costs for tax collection, financial administration, audit services and computerized data processing.

- Police (FCOA 25-240 through 249 plus related grants) reflects the direct cost of the police department.

- Fire and EMS (FCOA 25-255 through 25-269 and related grants) covers the cost of fire and first aid services. In municipalities with volunteer fire departments and first aid squads, include any direct municipal support for these operations.

- Legal Services (FCOA 20-155 plus related grants) includes the cost of the municipal attorney and municipal prosecutor, plus other miscellaneous legal costs.
• Municipal Court and Public Defender (43-490 through 499 plus related grants) are grouped together.

• Other Public Safety (FCOA 25-250 through 254, 25-270 through 25-289 plus related grants) includes Public Safety Communications (Dedicated 911), Office of Emergency Management and other miscellaneous services that do not fall specifically under Police or Fire/EMS.

• Public Works (FCOA 25-290 through 304; 26-310 through 329; 31-455, plus related grants) includes Street and Road Maintenance, Sanitary Sewer Services, Stormwater Management and miscellaneous public works functions. Solid Waste and Recycling is broken out into a separate category.

• Solid Waste and Recycling (25-305 and 32-465) appears as a separate category because many towns have private garbage collection services for which residents pay separately.

• Parks and Recreation (28-370 through 389) is expanded to include the cost of special community events and celebrations, which often appear in budgets as miscellaneous items with no FCOA code attached.

• Health and Social Services (27-330 through 369 plus related programs and grants) includes animal control and deer management programs, as well as the Board of Health and the various health, human services and social services programs provided by your municipality for veterans, senior citizens, teens or other groups.

• Land Use Administration (21-180 through 194 plus related grants) includes the budgets for Planning Boards and Zoning Boards of Adjustment.

• Code Enforcement (22-195 through 209 plus related grants) includes the budget for all building sub-code officials.

• Library Services (29-390 plus related grants)

• Police/Fire Pensions (36-474 and 36-475) includes all costs for police and firefighter pensions, including any deferred compensation, early retirement payouts or accumulated sick leave or vacation leave paid to retirees.

• Public Employees Pensions/Retirement (36-471, 36-477) includes all costs for other public employee pensions, including any deferred compensation, early retirement payouts or accumulated sick leave or vacation leave paid to retirees.

• Other Employee-Related Taxes (23-225 through 23-229; 36-472) include Social Security, Unemployment Insurance, Workers Compensation, Disability Insurance and any other employee-related payroll taxes.

• Employee Health Benefits (23-220 through 23-224) includes employee medical, dental and prescription health coverage, along with other health-related benefits.

• Other Insurance (23-210 through 23-319) includes liability, property, casualty and any other insurance costs not included under Other Employee-Related Taxes.

• Reserve for Uncollected Taxes is (50-899)
• Municipal Debt Service (45-900 through 45-999 plus related grants) includes both debt service and capital lease obligations.

• Type 1 School Debt is (48-900 through 48-999).

• Capital Improvements (44-900 through 44-999 including related grants) include all capital costs funded through the municipal budget for the current year and the prior year.

• Utilities (31-430 through 460, except 455) cover all utility costs paid through the municipal budget except for Sanitary Sewer expenses, which are included in Public Works.

• Deferred Charges (46-870 through 46-899; 30-410, 30-415) include prior bills, accumulated absence liability payments and other deferred charges.

• Other Miscellaneous Appropriations (29-391 thru 29-409; 30-427 and 28; 50-899) include other education, levy pass-throughs, and various miscellaneous items not allocated to any other budget category.

The above-referenced Budget Spending Categories are totaled to provide budget and staffing figures for determining Total Appropriations.

Appropriations Cap. This provides a measure of the total amount of appropriations inside as well as outside the appropriations cap for the current and prior years.

Utility Fund Budgets. Certain municipalities utilize self-liquidating utilities to fund operations such as water systems, sewer systems, garbage collection, beaches, marinas, swimming pools and golf courses. This section requires municipalities to report the total budget for each utility during the current and prior years.

Shared Services. Pursuant to N.J.S.A. 40A:5-48(b), the User-Friendly Budget must show the shared service agreements in which a local unit is participating. The proposed template has separate sheets for shared services "provided" and "received", for which each agreement must be entered with its beginning and end date, a description of the service provided or received and the dollar amount paid or earned as a result of the agreement.

Structural Imbalances. Disclosing structural budget imbalances is not only important to advance sound budget planning; it is required by federal securities laws. Responsible budgeting involves not only spending restraint, but sound fiscal expectations. Relying on one-time gimmicks to balance budgets risks substantial shortfalls and is ultimately unsustainable. This sheet is similar to that in the standard municipal budget, with a list of, and brief explanation for, each item that corresponds with the following: Revenues at Risk; Non-Recurring Current Appropriations; Future Year Appropriations Increases and Structural Imbalance Offsets.

The Division Welcomes Input on the Proposed User-Friendly Template

Interested parties wanting to weigh in on the proposed data reporting template for the User-Friendly Budget are invited to email their comments to the Division at dlgs@dca.state.nj.us. Please submit pre-rule proposal comments concerning the User-Friendly Budget by September 28, 2012.

Approved: Thomas H. Neff, Director, Division of Local Government Services
Table of Web Links

<table>
<thead>
<tr>
<th>Page</th>
<th>Shortcut text</th>
<th>Internet Address</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>User-Friendly Budget Template</td>
<td><a href="http://nj.gov/dca/divisions/dlgs/programs/mc_bud_docs/%5C">http://nj.gov/dca/divisions/dlgs/programs/mc_bud_docs/\</a>&lt;br&gt;user_friendly_budget_template_pre_rule_proposal.xls</td>
</tr>
</tbody>
</table>