

**5:30-15**  
**LOCAL FINANCE BOARD - ACCUMULATED ABSENCE MANAGEMENT AND FINANCING**

**5:30-15.1 Purpose and authority**

- (a) The purpose of this subchapter is to authorize and establish procedures for local government units to follow in accounting for accumulated absences and for the payment of employees on the basis of such absences, and in establishing reserves for compensated absences.
- (b) This subchapter is promulgated pursuant to the authority of the Local Finance Board under N.J.S.A. 52:27BB-10, which empowers the Board to promulgate reasonable rules for the interpretation and administration of State laws included within the jurisdiction of the Division of Local Government Services, and N.J.S.A. 52:27BB-28, which empowers the Board to promulgate rules for the proper use of uniform accounting systems and for proper accounting methods.

**5:30-15.2 Definitions**

The following words and terms, as used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.

*"Accumulated absence"* means any sick days, vacation days, personal days, compensatory time, or other absence time authorized as part of an employer agreement, which is not used by the employee during the allowed period, and which is permitted to accumulate over time to the benefit of the employee.

*"Chief financial officer"* means, except in the case of a municipality or county, the director of revenue and finance, comptroller, treasurer, collector or other financial officer of a local unit. In the case of a municipality, the chief financial officer means the person appointed pursuant to section 5 of P.L. 1998, c.110 (N.J.S.A. 40A:9-140.10); in the case of a county, the chief financial officer means the person appointed pursuant to section 4 of P.L. 1993, c.87 (N.J.S.A. 40A:9-28.4).

*"Compensated absence"* means the value of accumulated absence which is paid to the employee upon separation from the employer, pursuant to an employer agreement or local policy.

*"Employee"* means a member of a State administered pension program who is eligible for compensated absence benefits, pursuant to an employer agreement.

*"Employer agreement"* or *"agreement"* means a duly negotiated and approved labor agreement between the local unit and a collective bargaining organization; or a local unit employer practice or an agreement provided by ordinance or resolution as appropriate to the local unit, which allows the employee to accumulate sick days, vacation days, personal

days, compensatory time, or other absence time, and which obligates the local unit to compensate the employee for the value of that time upon separation from employment.

"*Local unit*" means any county, municipality, or a local public authority or fire district that is subject to the Local Authorities Fiscal Control Law, N.J.S.A. 40A:5A-1 et seq.

"*Separation from employment*" means retirement, or termination of employment, pursuant to local policy.

### **5:30-15.3 Calculation of compensated absence liability**

- (a) Each municipality and county shall include a breakdown of accumulated absences and a preliminary schedule of the value of compensated absence, to be submitted as part of the local unit's annual budget. The report shall indicate the amount of accumulated absence and the value of compensated absence by the legal basis for the benefit, such as labor contract, local ordinance, or an agreement with an individual employee, and shall summarize any offsetting reserves or budgeted appropriations.
- (b) The annual audit required of every local unit shall report, each year, on the value of compensated absence owed to employees and the amount accumulated for payment. This information shall be reflected in financial reports and the annual audit, as follows:
  - 1. For municipalities and counties, in the Notes to the Financial Statements;
  - 2. For authorities, as a balance sheet liability pursuant to Government Accounting Standards Board (GASB) Statement Number 34 (1999), Basic Financial Statements--and Management's Discussion and Analysis--for State and Local Governments, incorporated herein by reference, as amended and supplemented; and
  - 3. For fire districts, on the Statement of Net Assets pursuant to GASB Statement 34.
- (c) All compensated absence calculations shall be made pursuant to GASB Statement Number 16 (1992), Accounting for Compensated Absences (C. 60), incorporated herein by reference, as amended and supplemented.
- (d) Budget appropriations for compensated absences shall be shown on a single budget line in each local unit budget.

### **5:30-15.4 Authorization for compensated absence payments**

- (a) All local unit payments for compensated absence shall be authorized locally by any one or combination of the following practices:
  - 1. Any duly negotiated and approved labor agreement between the employer and a collective bargaining organization, executed pursuant to the New Jersey Employer-Employee Relations Act (N.J.S.A. 34:13A-1 et seq.);

2. A provision in a local ordinance or enabling resolution; and/or
  3. An employment agreement with an individual employee, where the use of the benefit therein is authorized by local ordinance or enabling resolution.
- (b) Payment for compensated absence shall be made upon certification by the chief financial officer of the local unit that sufficient documentation of the amount of the accumulated absence has been provided, and that funds are available to pay for the amount of compensated absence due. Sufficient documentation shall include:
1. A copy of, or reference to, the agreement authorizing compensation;
  2. Documentation of the amount of accumulated absence time; and
  3. The total value of the compensation due based on the agreement and accumulated absence time.
- (c) In the absence of sufficient documentation, payment for compensated absence may be awarded by resolution of the governing body, subject to the following:
1. The employee shall provide the governing body with a certification that includes an annual itemization of each type of accumulated absence, records maintained by the employee or employer to substantiate the absence, and an explanation as to the reasons that sufficient documentation, as described in (b) above, is not available. Said certification shall be attached to the resolution and shall serve as evidence of the accumulated absence, based on the employee's records. Where appropriate, local government units should supplement the employees' records, when they have the ability to do so.
  2. If the employee is unable to produce all of the documentation required in (c)1 above, the governing body may, by resolution, approve payment for compensated absence based upon the employee's ability to provide partial documentation, and upon finding that there is good and reasonable cause to warrant payment in the absence of full documentation. Such good and reasonable cause may be in connection with the loss of relevant information due to technological changes in recordkeeping; the loss of data caused by fire, natural disaster and the like; the loss of dated information; or other reasonable explanation by the employee as to why sufficient documentation is not available.
  3. Upon receipt of the certification and acceptance of the employee's records, or explanation for not providing sufficient documentation, the governing body may then approve payment by resolution, provided that the chief financial officer has certified that sufficient funds are available for payment.
  4. Any resolution that is approved by the local unit in the absence of sufficient documentation shall so state that the compensation is being approved upon finding that there is good and reasonable cause to approve, based on the certified explanation provided by the employee.

**5:30-15.5 Accounting for compensated absence funds**

- (a) A county or municipality may appropriate and reserve funds for the purpose of compensating employees for accumulated absence time in accordance with the following:
1. No funds may be appropriated or reserved unless the local unit has complied with N.J.A.C. 5:30-15.4(a).
  2. The amount to be appropriated is specifically reserved to the governing body. Nothing in this section shall require any specific amount to be appropriated in any given year. In addition:
    - i. Total appropriations for compensated absences shall not exceed the value of the total accumulated absence, as determined by the chief financial officer of the local unit.
    - ii. Once appropriated, funds so reserved for compensated absence shall not be used for any other purpose unless so approved by the Local Finance Board.
    - iii. Current fund appropriations for municipalities and county governments shall be deposited into a dedicated trust fund, pursuant to N.J.S.A. 40A:4-39.
    - iv. Funds may be disbursed in accordance with the Local Fiscal Affairs Law, N.J.S.A. 40A:5-1 et seq., as necessary, to meet the obligations of the employer agreement.