

Local Finance Notice

LFN 2025-18

December 12, 2025

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CY 2026 Budget Matters

This Notice contains important updates on the budget process for counties and calendar year municipalities. Please review the Notice carefully.

CY 2026 Budget Deadline Extension and Enforcement

As authorized by N.J.S.A. 40A:4-5.1, the Local Finance Board approved at its December meeting the statutory budget deadline revisions set forth below. These changes modify the statutory dates for introduction, adoption, and Mayor/Council Faulkner Act and related budget transmissions. The revised dates (absent referendum dates) are shown below:

Introduction and Adoption of Budget – Non-Referendum	Statutory Date	Revised Date
Mayor/Council Faulkner Act (Executive) budget transmission to governing body	1/17	2/27*
Submission of the County and Municipal Annual Financial Statement (AFS)	1/26, 2/10	3/6
Municipal introduction and approval of budget	2/10	3/31*
County introduction and approval of budget	1/26	3/31*
Municipal adoption	3/20	4/30*
County adoption	2/28	4/30*

*or the date of the next regularly scheduled meeting of the governing body.

Notwithstanding the revised dates, a budget may be adopted anytime within 10 days of receiving the Director's certification of approval of the budget.

Governing bodies may, by resolution, adopt no later than March 31, 2026, to increase temporary budget appropriations for the 2026 budget as may be necessary due to the extension.

Counties and municipalities that fail to timely adopt their budgets risk imposition of statutory penalties, up to and including a \$25-per-day fine for governing body members who willfully fail or refuse to comply with a final order of the Director. See N.J.S.A. 40A:4-84.

Municipalities are required to submit all budget-related processes and audit processes using the Financial Automation Submission Tracking (FAST) system. Current versions of budget forms and related financial documents are available for download on the Division's [FAST webpage](#). Municipalities are required to use the most up-to-date budget workbook, version 2026.0. The 2026 budget workbook contains a "data rollover" feature that will allow for the import of 2025 budget data, reducing the amount of data entry. Macros must be enabled for this functionality to execute properly. Counties must use version 2026.0 as a rollover feature has also been included. Municipalities and counties must use the newest version for the annual financial statement (AFS) workbook (2025.0) as new features have been included.

County Levy Cap Calculations - Implementing L. 2024, c.8

Counties are subject to the stricter of either the 1977 county levy cap or the 2010 property tax levy cap (i.e. the "2% cap") in any budget year. N.J.S.A. 40A:4-45.45.a(1). Counties must complete both cap calculations to determine which cap is the more restrictive. [L. 2024, c.8](#) made two key changes:

- Amending the 1977 county levy cap to state that, if a county's appropriations for debt service are less than the prior year's appropriations for debt service, then the county's maximum permissible tax levy for the current budget year shall not be reduced by the amount of the difference in appropriations for debt service between the prior year and current year; and
- If a county has a greater amount of cap bank accumulated in the less restrictive of the two caps, the county has the option to apply the amount of cap bank accumulated under the less restrictive cap to the more restrictive cap that the county must use pursuant to N.J.S.A. 40A:4-45.45.a(1).

COVID Special Emergencies

CY 2026 will be the year for the fifth and final installment to be budgeted for the deferred charges for the COVID Special Emergencies that were passed in 2020 and 2021, unless a different schedule was approved by the Local Finance Board. The deferred charge can be excluded from both the 1977 and 2010 caps. For the levy cap, include the COVID Special Emergency in the deferred charge section of the workbook.

Municipalities with Municipal Water Systems: Capital Budgets & Adequately Providing for System Needs

N.J.S.A. 58:31-7 of the [Water Quality Accountability Act \(WQAA\)](#) requires all local units with their own water system to file an annual capital improvement report (WQAA annual report) with the New Jersey Department of Environmental Protection (NJDEP) listing infrastructure improvements required under the local unit's water system asset management plan. N.J.A.C. 7:10-6.4 requires the WQAA annual report to be filed with NJDEP by no later than **March 15** each year. For the Project

History section of the WQAA annual report, capital projects to be implemented under the asset management plan are listed under the heading “Projects Planned But Not Yet Placed Into Service.” Projects to be identified as Short Term (1-3 years), Medium Term (4-6 years), and Long Term (4-10 years) based on the anticipated construction period of those projects. This [template worksheet](#) outlines the requirements for submittal. The DEP submission portal is [here](#).

Effective starting with CY2024 municipal budgets, N.J.A.C. 5:34-4.3(c) requires every municipality with its own water system to have an annual capital budget and program. Further, the capital budget and capital program of a municipality with its own water system shall incorporate the infrastructure improvements listed on the municipality’s WQAA annual report for the corresponding period, along with the estimated costs of said improvements and anticipated financing by sources and amounts in accordance with N.J.A.C. 5:30-4.6(a). Although WQAA annual report now includes a Mid Term (4-6 years) category, the minimum capital program period for municipalities with under 10,000 in population remains three (3) years (budget year + two additional years) regardless of whether the municipality has a water system.

PLEASE NOTE: The water system improvement projects listed on the WQAA annual report under “Projects Planned But Not Yet Placed Into Service” for the Short Term (1-3 years) category and, if applicable, the Mid Term (4-6 years) categories, must also be listed in the capital budget and capital program for the applicable period, unless the Director otherwise determines that a municipality’s fiscal circumstances warrant deviating from the asset management plan – such a determination will be made in consultation with NJDEP.

- The project title for each water system improvement project listed on the capital budget and program must include word-for-word the information listed under “Type of Asset” and “Project Name – Comments” in the WQAA annual report.
- The estimated project cost listed in both the capital budget/program and the WQAA annual report must likewise match.
- The Excel or PDF version of the WQAA annual report for 2026 must be uploaded with the budget document into FAST.

The chief municipal finance officer should work with the official currently responsible for submission of the WQAA annual report to DEP (e.g., public works director, water superintendent, engineer) to ensure the capital budget information matches what is referenced in the report. Pursuant to N.J.A.C. 5:30-7.6, a municipality eligible for local examination is responsible for ensuring their annual budget complies with the above-referenced requirements.

When crafting its CY2026 budget, a municipality with a water system should make adequate provision for the capital and operational needs of its system. N.J.S.A. 40A:4-78 authorizes the Director to order municipalities to take such measures as the Director deems necessary to ensure the integrity of a municipality’s water infrastructure including, but not limited to, limiting the diversion of surplus water system revenues to the general fund. The Director may account for a municipality’s fiscal circumstances in determining appropriate measures.

Transitional Aid Application Process

Calendar Year municipalities in financial distress will only have one opportunity to apply for Transitional Aid to Localities (Transitional Aid). Municipalities applying for Transitional Aid must submit an introduced budget with the application. Because aid awards come with a significant loss of local control and stringent conditions, municipalities should carefully evaluate whether it is necessary and appropriate to seek Transitional Aid. A separate Transitional Aid Local Finance Notice setting the deadline for CY Transitional Aid applications will be released in the coming weeks.

In recognition of the hardship a zero-dollar budget anticipation for this discretionary aid program would present for program applicants, municipalities that received Transitional Aid in CY 2025 are allowed, for budget introduction purposes only, to anticipate Transitional Aid in an amount equal to 85 percent of their CY 2025 aid allocation.

Municipal Aid and the FY2027 State Budget

After the FY2027 State budget is proposed, the Division will notify municipalities as to the amount of Energy Tax Receipts aid that can be anticipated in their budgets and any other aid as presented in the Governor's budget. For budget planning purposes, 2025 aid amounts may be used in the introduced 2026 budget.

Local Examination – Municipal Budgets

Group 1 municipal budgets will be examined by the Division for CY 2026. Groups 2 and 3 may be eligible for local examination. Eligibility status is on the Municipal Information Sheet. Local examination municipalities must meet all applicable statutory deadlines to remain eligible. If the governing body of a municipality that is eligible for local examination wants the Division to examine the budget, the governing body must pass a resolution prior to the introduction of the budget requesting DLGS review.

Municipalities that have failed to submit to the Division the User-Friendly Budget section corresponding with its CY2025 adopted budget will not be eligible for local examination until the User-Friendly Budget has been submitted.

Pursuant to N.J.A.C. 5:30-7.6, a municipality eligible for local examination that has a municipal water system is responsible for ensuring their capital budget includes the required information from the WQAA annual report.

In addition to existing non-eligible categories, please note that the following municipalities are likewise ineligible for local budget examination:

- Municipalities having adopted a COVID special emergency;
- If, during the current or prior fiscal year, an individual who does not hold a municipal finance officer certificate is or was serving as a temporary CFO pursuant to N.J.S.A. 40A:9-140.13;

- If, during the current or prior fiscal year, a private entity is or was temporarily fulfilling the duties of a chief municipal finance officer pursuant to N.J.S.A. 40A:9-140.10;
- Municipalities where, in the prior fiscal year, voters approved the sale of a water or sewer system pursuant to N.J.S.A. 40:62-5; and
- If, in the prior fiscal year, the municipality has completed the approval process pursuant to the Water Infrastructure Protection Act (N.J.S.A. 58:30-1 et seq.) for the sale of a water or sewer system.

Upcoming Changes to Legal Notice Publication Requirements

Signed into law by Governor Murphy on June 30, 2025, [L. 2025, c.72](#) reflects the transition from traditional print newspapers to online platforms by updating legal notice publication requirements. After March 1, 2026, whenever a public entity is required by law or by order or rule of court to publish or advertise a legal notice, the public entity shall display the legal notice on its official Internet website – which shall be accessible to the public free-of-charge. The website publication requirement will supersede the current newspaper publication of legal notices. A separate Local Finance Notice will be issued addressing the new law.

To reflect the new law, the Division has updated the municipal, county, and solid waste collection district budget templates required to be submitted via FAST. The “Key Inputs” tab on each template includes space for local units to list the webpage URL for the official publishing of their budget advertisement and the URL for optional circulation in an on-line publication. Enter the dates of both postings into the budget document.

Other Budget Reminders

Amendment Procedures: Budget cycle procedures are specified in N.J.S.A. 40A:4-4. The amendment process cannot begin until after the public hearing has been held on the introduced budget. Once the public hearing is held, the budget can be amended on the same night, so long as it is after the public hearing portion of the meeting.

Health Insurance Contributions and Waivers: Amounts appropriated for employees who receive payments in lieu of accepting health benefits (“waivers”) must be appropriated as a separate line item (“Health Benefit Waiver” with FCOA Code #23-222).

To disclose the value of employee contributions and reduced employer costs for health care coverage to the public, each formal Budget Message shall contain information or a schedule showing the amounts contributed from employees, the employer share, and total costs. The disclosure may be broken down by employee group. The health insurance cap exclusion is based upon an average State Health Benefit increase of **36.2 percent for CY 2026**. The appropriation cap exclusion is **32.2 percent**. The levy cap exclusion will be **34.2 percent**. These amounts are calculated in the levy cap workbook’s health insurance tab.

Submission of Special Items of Revenue (C-159's): The deadline for the submission of C-159's is **December 19, 2025**. Exceptions will be handled on a case-by-case basis.

Volunteer Fire and EMS Appropriations: A municipality may appropriate a maximum of \$165,564 in its CY 2026 budget for use by volunteer fire companies or fire districts, the governing body may appropriate an additional \$50,000 annually for each additional volunteer fire company or fire district. Please review Local Finance Notice 2024-14 for additional information.

As amended by P.L.2022, c.12, N.J.S.A. 40:5-2 allows a municipality or county to appropriate up to \$125,000 annually as a contribution to a duly incorporated volunteer first aid, ambulance, or rescue squad association rendering service generally throughout the municipality or county, along with an additional amount not to exceed \$70,000 annually if the association demonstrates extraordinary need directly related to the performance of the association's duties.

Whenever the total annual contribution to a volunteer first aid, ambulance, or rescue squad association exceeds \$70,000, the municipal or county CFO, as applicable, shall receive an audit performed by a certified public accountant or a registered municipal accountant of the association's financial records for the current year which shall certify to the governing body that such records are being maintained in accordance with sound accounting principles.

Additional sums may be appropriated as deemed necessary for the purchase of first aid, ambulance, rescue or other emergency vehicles, equipment, supplies and materials for use by a volunteer first aid, ambulance, or rescue squad association; however, the title to these items shall remain with the county or municipality, as applicable, which shall control and disburse funds.

Municipal Library Tax Levy: [L. 2011, c.38](#) requires a dedicated line item on property tax bills for municipal free and joint free public libraries, which does not result in a tax increase but rather changes the way the minimum library appropriation is displayed to the public. The minimum municipal library tax rate is 1/3 of a mil unless a successful voter referendum increases that amount. See [Local Finance Notice 2018-17](#) at pages 5-6 for further information on the process for changing the municipal library tax rate.

Posting Budgets on Website: N.J.S.A. 40A:4-10 requires each municipality and county to post on their website the current year adopted budget along with adopted budgets for the three prior years. The 2022, 2023, 2024 and 2025 budgets should now be posted **including the corresponding user-friendly budget sections**. Once the 2026 budget is adopted it should be posted (and 2022 may be dropped).

Approved: Michael F. Rogers, Director

Document	Internet Address
FAST Updates	https://www.nj.gov/dca/dlgs/Fast.shtml
Municipal & County Budgets webpage	https://www.nj.gov/dca/dlgs/programs/mc_budgets.shtml
L. 2024, c.8 (County Levy Cap Calc.)	https://pub.njleg.state.nj.us/Bills/2024/PL24/8_.PDF
NJDEP WQAA Webpage	https://dep.nj.gov/watersupply/drinking-water-systems/water-quality-accountability-act/
WQAA Annual Report Template	https://www.state.nj.us/dep/watersupply/xls/wqaa-capital-improvement-report-template-worksheet.xlsx
DEP Document Submission Portal	https://dep.nj.gov/online/
L. 2025, c.72 (Online Public Notices)	https://pub.njleg.state.nj.us/Bills/2024/PL25/72_.PDF
L. 2011 c.38 (Library Tax Line Item)	http://www.njleg.state.nj.us/2010/Bills/PL11/38_.PDF
Local Finance Notice 2018-17	https://www.nj.gov/dca/dlgs/lfns/2018/2018-17.pdf