

Local Finance Notice

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2026 Municipal Best Practices Inventory

Language authorizing the Best Practices Inventory is included in the [FY2027 Appropriations Act](#). Pursuant to law, the Division of Local Government Services ("Division") has promulgated an updated Best Practices Inventory to all municipalities, through which the State obtains vital information about the status of municipal government practices in New Jersey.

The 2026 Inventory assesses each municipality's compliance with various laws and evaluates the implementation of fiscal and operational best practices. Inventory answers provide taxpayers with an additional means of evaluating their municipality's performance. The Inventory also identifies areas where municipalities may require further technical assistance. Furthering this objective, the Inventory contains an unscored survey section soliciting information on a variety of topics.

All municipalities, including those on a State Fiscal Year budget cycle, must submit their completed Inventory to the Division by close of business **Friday October 30, 2026**. The Division strongly recommends completing and filing the Inventory as soon as possible so any technical or substantive issues can be resolved in a timely fashion. Post-submission answer changes are subject to Division approval.

The Best Practices Inventory is hosted on an [internet-based platform](#). A list of questions is available [here](#). [Platform instructions](#) and a helpful [FAQ document](#) concerning log-in and access are also provided.

The Division must determine whether some portion of a municipality's final formula aid payment will be withheld based on the results of its Inventory. A municipality's full final formula aid payment represents the maximum amount of aid that is subject to withholding. Please review Local Finance Notice [2026-10](#) for further information on FY27 State Aid to municipalities.

Best Practices Inventory responses may be subject to independent verification.

Question Content and Scoring

The 2026 Best Practices Inventory features new and repeat questions on the following topics:

Budget	Historic Preservation	Redevelopment
Capital Projects	Hospital Contributions	Shared Services & Consolidation
Emergency Services	Insurance	Tax Collection
Environment	Lead Remediation	Technology
Ethics	Personnel	Transient Accommodations
Financial Administration	Procurement	Transparency

A total of 71 questions are distributed amongst three scoring categories: Core Competencies (39 questions), Best Practices (16 questions), and Unscored Survey (16 questions). One question in the Core Competencies category and another in the Unscored Survey category are divided into subparts to better facilitate data tabulation. The Division has introduced a total of twelve (12) new scored questions and eight (8) new unscored questions to the 2026 Inventory. Two additional questions (one scored and the other unscored) have been revived from prior years' Inventories. Each municipality must receive a **minimum score of 34** on the Inventory to receive its full Final Aid payment.

Core Competencies address statutory and regulatory compliance obligations and other areas critical to sound municipal finance and operations. These questions score 1 point each, with positive credit awarded for "Yes" answers as well as "Prospective" and "N/A" responses when permitted by the question. Answers of "Prospective," which apply to certain new questions, should only be used when a municipality is committed to making good faith efforts to implement the practice in the upcoming year.

The 2026 Inventory also includes a Best Practices category, which involves fiscal and operational practices that are of significant benefit to many municipalities but are not foundational in nature or uniformly applicable to all municipalities. All questions in the Best Practices category are worth one-half (1/2) point, with positive credit awarded for "Yes" answers as well as "N/A" responses when permitted by the question. Please note that "Prospective" responses are not permitted responses under the Best Practices category.

Answers of "N/A" are only appropriate if a specific requirement does not apply to a given municipality; however, please note that some questions limit "N/A" responses to certain circumstances. Municipalities answering "N/A" should explain why the question is not applicable in the comment space.

There is a total of 55 scored questions (Core Competencies + Best Practices), with one Core Competencies question divided into two subparts, for a total of 48 points. The thresholds for aid withholding are as follows:

Inventory Score	Final Payment Amount Disbursed	Impact on final 5% aid payment
34 and greater	100%	No withholding
30-33	75%	Lose 25% of final formula aid payment
27-30	50%	Lose 50% of final formula aid payment
0-27	0%	Lose 100% of final formula aid payment

Questions in the Best Practices category are considered “extra credit” because the Inventory’s scoring threshold is based on the number of Core Competencies for which the Division determined a municipality should earn positive credit, rather than Core Competencies and Best Practices combined. Thus, positive credit for Best Practices questions helps offset Core Competencies for which a municipality does not earn positive credit.

Unscored Survey questions are meant to gather information and do not count toward a municipality’s final score, although their completion is a required component of the Inventory. Answers to these questions will help determine where municipalities may require additional assistance, where the Division of Local Government Services and the Department of Community Affairs may need to prioritize technical assistance resources, and to determine the scope of potential future grant programs. Responses vary from “Yes/No” to multiple-choice.

Approved: Michael F. Rogers, Director

Document	Internet Address
FY27 Approp. Act	https://pub.njleg.state.nj.us/Bills/2026/AL26/27_.PDF
BPI Platform	https://njdca.dynamics365portals.us/
BPI Instructions	https://www.nj.gov/dca/dlgs/programs/best_practices_docs/2026/BPI%20Instructions%202026.pdf
Log-In & Access FAQ	https://www.nj.gov/dca/dlgs/programs/best_practices_docs/2026/BPI%20Login%20and%20Access%20FAQ.pdf
BPI Question List	https://www.nj.gov/dca/dlgs/programs/best_practices_docs/2026/FINAL%20-%202026%20BPI%20Questions.xlsx
LFN 2026-10	https://www.nj.gov/dca/dlgs/lfns/2026/2026-10.pdf