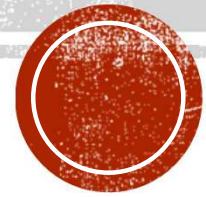


BUDGETING FOR ELECTED OFFICIALS

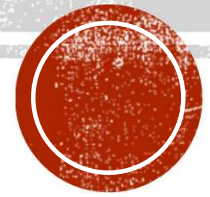
Presented by:

Jason Gabloff, CMFO, Milburn Township

Jon Rheinhardt, Administrator/CMFO/QPA, Wharton Borough



BUDGET LAW OVERVIEW



BUDGET RESPONSIBILITY

- Effective financial management can help municipalities transform communities into a better place to live, work and visit
- One of the governing body's greatest responsibilities is approving and regularly monitoring a municipality's budget
- Effective financial management ensures that there are funds available to implement the governing body's policies



WHAT'S YOUR WISH ?



BE VERY CONCERNED.....

He credited his new forecast to “hope and inspiration,”

“You can’t say we’re going to fix a \$20 million budget hole by doing nothing,” the source said. “It’s math, not magic. It just doesn’t work that way... it became obvious that we were building a house on cards that wasn’t going to stand.”

HOPE IS NOT AN ACTION PLAN

WHY DO WE NEED IT ?

- Planning (past, present, future)
- Control
- Accountability
- Fiscal Responsibility
- Fiscal Accountability
- Transparency
- Local Officials must vigilantly focus on the “long term” economic welfare of their community

ESTABLISHING BUDGET POLICY

- ▶ First things first
 - ▶ A statement of general budget policy should be included with budget forms
 - ▶ advise the departments what the expectations are
 - ▶ i.e. - Is it a tight year, program addition or elimination
 - ▶ When policies are known at the outset misunderstandings are minimized. Also sets the tone early on in the process.
 - ▶ Budget preparation represents difficult policy decisions not just simple dollar decisions

TELL A STORY

- WHAT IS YOUR STORY?
 - HOW DO YOU SELL YOUR PROGRAMS
 - SEE SAMPLE OF HOW TO TELL STORY ON NEXT FEW SLIDES

WHAT ARE YOU TRYING TO GET ACROSS TO YOUR
RESIDENTS?

HOW TRANSPARENT ARE YOU?

A LITTLE MAGIC TRICK!

- Old Amount 100
- New Amount 101

What is the change?
Amount?

1

Percentage?

1%

- Old Amount 6
- New Amount 7

What is the change?
Amount?

1

Percentage?

16.7%

FACT VS. MYTH

- How much did sales tax go up in New Jersey?
- How much did the State return to Local Governments in the 2007 & 2008 Budgets?
- What is the Governor's Promise with A-1 & S-20? Did you really think you will get 20% of your taxes back?
- Read between the lines to get the real answer?

BELIEVE IT OR NOT

- What would happen if a local budget increased by 16.7%
- How is it that the State of New Jersey can pass along a 16.7% increase and almost all of the residents believe it is only a 1% increase.
- Smoke, Mirrors and good marketing is how they can do it.

STATUTORY REFERENCES

N.J.S.A. 40A:2 Local Bond Law

N.J.S.A. 40A:4 Local Budget Law

N.J.S.A. 40A:5 Local Fiscal Affairs
Law

N.J.S.A. 40A:11 Local Public Contracts Law

WHAT IS A LINE ITEM BUDGET?

- In New Jersey, each appropriation must be categorized between “**Salaries & Wages**” and “**Other Expenses**”
- This is the level of detail required when preparing the State Budget Document
- This is the format for the publicized budget
- However, local units typically break their budgets down into greater detail for internal tracking purposes

BUDGET CALENDAR (MUNICIPAL)

Action Taken	Earliest Date	Latest Date
Budget Introduction	Jan 1	Feb 10
Filing Introduced Budget with the DLGS	3 Days after Approval	
Budget Publication (10 days prior to Adoption)	Jan 1	Mar 10
Budget Hearing (at least 28 days after Introduction)	Jan 30	Mar 20
Budget Adoption	Jan 30	Mar 20

A budget cannot be introduced until the Annual Financial Statements are filed



BUDGET CALENDAR (COUNTY)

Action Taken	Earliest Date	Latest Date
Budget Introduction	Jan 1	Jan 26
Filing Introduced Budget with the DLGS	3 Days after Approval	
Budget Publication (10 days prior to Adoption)	Jan 1	Feb 15
Budget Hearing (at least 28 days after Introduction)	Jan 30	Feb 25
Budget Adoption	Jan 30	Feb 25

A budget cannot be introduced until the Annual Financial Statements are filed



TEMPORARY BUDGET

(N.J.S.A. 40A:4-19)

- Provides for the operations of the local unit in the new budget year until the budget has been adopted
- Resolution must be adopted within the first 30 days of the new year as well as any amendments
- Total Appropriations cannot exceed 26.25% of the prior year's appropriations excluding, Debt Service, Capital Improvement Fund & Public Assistance
- Why 26.25%?

WHY DO WE HAVE A TEMPORARY BUDGET?

- **CASH BASIS BUDGETING:**

- The State of New Jersey requires a Municipality to prove its Revenue Sources received and Cash Surplus (Fund Balance) on hand at the end of the year before it will allow you to even present a Budget
- This requirement results in a Budget introduction after the filing of the Annual Financial Statements

BUDGET AUTHORIZATION

- The municipal governing body is responsible for the final adoption of the municipal budget
- The budget must be introduced no later than February 10th and 3 copies must be filed with the Director of the DLGS within 3 days
- The budget must be published at least 10 days prior to the public hearing, which must be at least 28 days after approval
- It can be adopted no later than March 20th, or the date established by the Director of the DLGS
- 3 certified copies must be filed with the division and 1 certified copy must be filed with the county board of taxation

BUDGET AUTHORIZATION (CONT'D)

- The purpose of the public hearing is to allow the citizens an opportunity to review the budget, ask questions, and provide their opinions
- The Municipal Budget must be posted on the town's website when the budget is read by title only at a public meeting
- A budget must be adopted by a majority of the full membership of the governing body
- If a governing body fails to adopt the budget by March 20th or the latest date set forth by the DLGS then the DLGS is required to prepare the budget
 - In such event, then each operating appropriation will be identical to the previous year's budget with certain adjustments

BUDGET AUTHORIZATION (CONT'D)

The governing body may amend the budget prior to the time of holding the public hearing and during or after the public hearing. No amendment will become effective without a public hearing and publication of the amendment, if the amendment:

1. Adds a new item of appropriation in an amount in excess of 1% of the total of appropriations as stated in the approved budget
2. Increases or Decreases any item of appropriation by more than 10%
3. Increases the amount to be raised by taxation more than 5%, unless the same is made to include an emergency appropriation

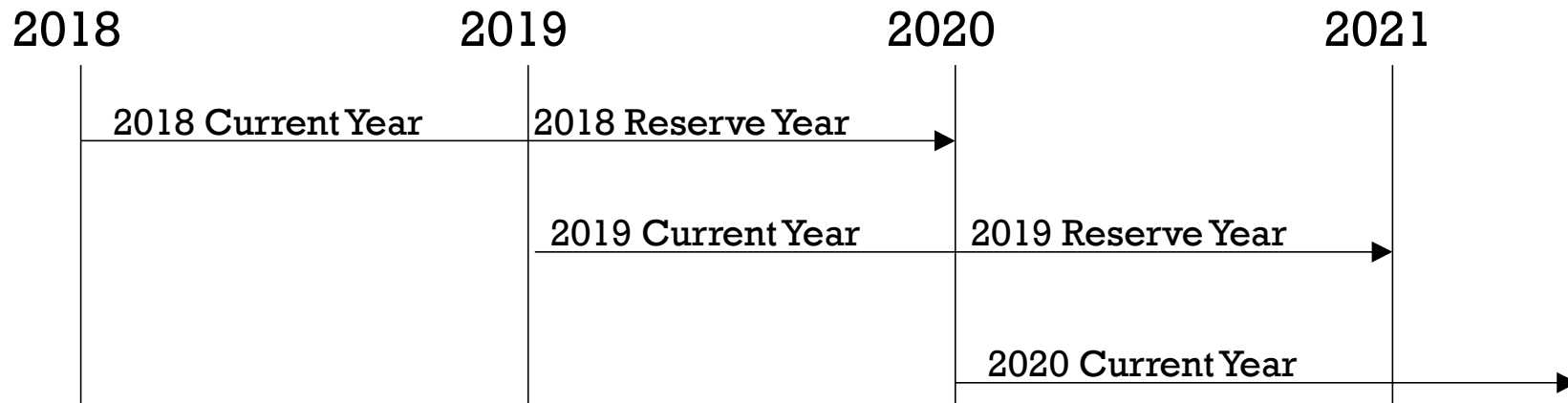
THE BUDGET MESSAGE

- The Local Budget Law (40A:4-22) requires the budget message to contain the following:
 - Appropriation CAP Calculation
 - Levy CAP Calculation
 - Summary of appropriations appearing in both the “inside” and “outside” sections of the budget
 - Chapter 78 Health benefit calculations

CURRENT YEAR BUDGET VS. RESERVE YEAR BUDGET

- A Budget is active for a two year period of time
- The second year of the Budget is to serve as a catch up period for bills that were not paid during the initial year of the Budget
- In order to charge against the reserve year budget, the goods had to have been received or services rendered in the year of that budget

BUDGET TIMELINE



As you can see, you are running two budgets at a time.

BUDGET TRANSFERS

- **Current Year Appropriations**
 - are permitted during the last two months of the fiscal year
- **Reserve Year Appropriations**
 - are permitted during the first three months of the fiscal year
- **Must be approved by resolution of the governing body by 2/3 vote of full membership**

OVER EXPENDITURE OF BUDGET

N.J.S.A. 40A:4-57

- No person shall expend any money, where an appropriation has not been provided, in excess of the amount appropriated for said purpose
- Violation of this section is a misdemeanor, and is subject to penalties under the criminal laws of the State of New Jersey

BUDGET AMENDMENTS

CHAPTER 159 OF THE PUBLIC LAWS OF 1948

- Corrections of Title, Text or Amount (N.J.S.A. 40A:4-85)
- Insertion of Special Items of Revenues and Appropriations (N.J.S.A. 40A:4-87)
- Both require a local unit resolution and the approval of the DLGS Director

EMERGENCY APPROPRIATIONS

N.J.S.A. 40A:4-46 THRU 4-55

- “A local unit may make emergency appropriations, after the adoption of the budget, for a purpose which is not foreseen at the time of the adoption thereof, or for which adequate provision was not made therein.”

“CAP” LAW N.J.S.A. 40A:4-45

- First enacted into law on August 18, 1976.
- Amended throughout the years to accommodate current economic conditions and specific needs in the State.
- Limits the increase in appropriations to that of the “Implicit Price Deflator”. Referred to as the Index Rate.
- Limited to 5% before requiring a referendum
- CAP Banking is Automatic

“CAP” LAW N.J.S.A. 40A:4-45

- **P.L. 2004, Chapter 74 “Fair & Immediate Relief”**
 - **Removed reference to the “Implicit Price Deflator” and replaced it with the Cost of Living Adjustment (COLA). Based upon the traditional federal government inflation rate**
 - **CAP is now limited to 2.5% or the COLA, whichever is less**
 - **Can go to 3.5% if an Ordinance is Passed (Index Rate)**
 - **CAP Banking is no longer automatic**

“CAP” LAW N.J.S.A. 40A:4-45

- **P.L. 2010, Chapter 44 “2% Levy CAP”**
 - **2% Tax Levy CAP is now required**
 - **Exceptions favor State Discretion not local control**
 - **Pension Costs**
 - **Health Benefit Costs**
 - **Debt Service & Capital Items**
 - **Emergency Declared by the Governor**

QUESTIONS

