

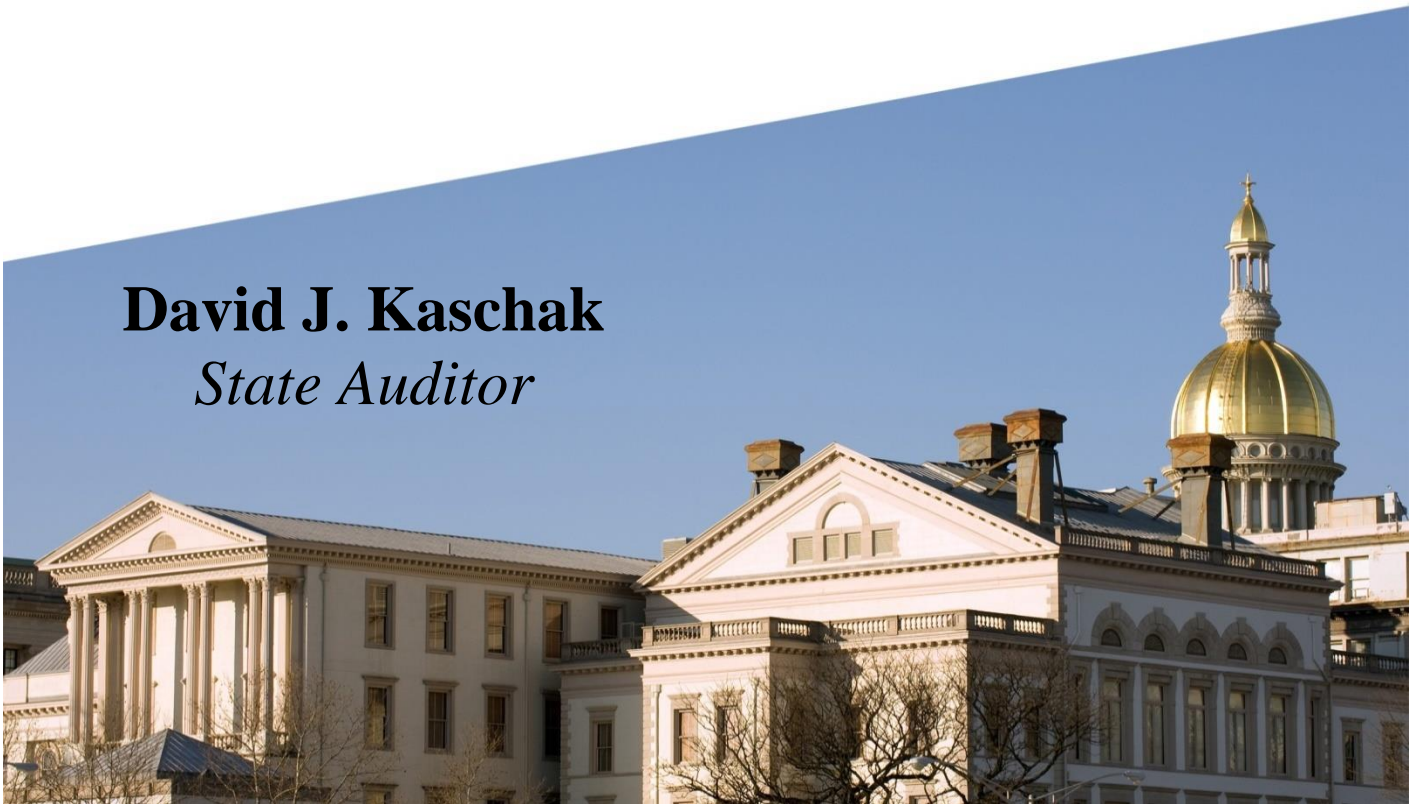


New Jersey Legislature
★ *Office of* LEGISLATIVE SERVICES ★
OFFICE OF THE STATE AUDITOR

Department of Community Affairs
Division of Local Government Services

July 1, 2019 to June 30, 2022

David J. Kaschak
State Auditor



LEGISLATIVE SERVICES COMMISSION

SENATE

Anthony M. Bucco
Kristin M. Corrado
Linda R. Greenstein
Joseph Pennacchio
M. Teresa Ruiz
Nicholas P. Scutari
Robert W. Singer
Shirley K. Turner

GENERAL ASSEMBLY

Craig J. Coughlin
Christopher P. DePhillips
John DiMaio
Louis D. Greenwald
Antwan L. McClellan
Nancy F. Muñoz
Verlina Reynolds-Jackson
Shanique Speight



NEW JERSEY STATE LEGISLATURE
★ Office of LEGISLATIVE SERVICES ★

OFFICE OF THE STATE AUDITOR
125 SOUTH WARREN ST. • P.O. BOX 067 • TRENTON, NJ 08625-0067
www.njleg.state.nj.us

OFFICE OF THE
STATE AUDITOR
609-847-3470
Fax 609-633-0834

David J. Kaschak
State Auditor

Brian M. Klingele
Assistant State Auditor

Thomas Troutman
Assistant State Auditor

The Honorable Philip D. Murphy
Governor of New Jersey

The Honorable Nicholas P. Scutari
President of the Senate

The Honorable Craig J. Coughlin
Speaker of the General Assembly

Ms. Maureen McMahan
Executive Director
Office of Legislative Services

Enclosed is our report on the audit of the Department of Community Affairs, Division of Local Government Services for the period of July 1, 2019 to June 30, 2022. If you would like a personal briefing, please call me at (609) 847-3470.

A handwritten signature in black ink that reads "David J. Kaschak".

David J. Kaschak
State Auditor
June 25, 2024

Table of Contents

Scope.....	1
Objectives	1
Methodology	1
Data Reliability	2
Conclusions.....	2
Findings and Recommendations	
Transitional Aid	3
Coronavirus Relief Fund.....	4
Local Government Ethics Law – Financial Disclosure Statements.....	5
Legislative Aid.....	6
Observations	
Transitional Aid	8
Certification Unit	9
Budget Review and Analysis – Online Data Dashboard	9
Appendix	
Methodologies to Achieve Audit Objectives.....	10
Auditee Response.....	11

Scope

We have completed an audit of the Department of Community Affairs (department), Division of Local Government Services (division) for the period July 1, 2019 to June 30, 2022. Certain financial activity was summarized for timeframes after the end of the audit period for informational purposes only. Our audit included financial activities accounted for in the state's General Fund and the Property Tax Relief Fund. This included payments for Transitional Aid, Legislative Aid, grants for consolidation studies, shared services, and recreation improvement, as well as pandemic-related expenses paid with the Coronavirus Relief Fund (CRF). We also reviewed the local government professional certification processes and compliance with the local government ethics law.

The division provides technical and financial assistance in budgeting, financial reporting, joint services, purchasing, and management issues to all municipalities of the state. During fiscal years 2020, 2021, and 2022, expenditures of the division averaged approximately \$342.2 million annually. Additionally, during the audit period, federal COVID-19 funding disbursements totaled \$637.3 million. The division also administers six local government professional certification programs, records financial disclosures of local government officers, and administers ethics complaints.

Objectives

The objective of our audit was to determine whether the division had adequate controls in place to approve, disburse, and monitor funds for Transitional Aid, Legislative Aid, CRF public health emergency expenses, and other local government grants in compliance with internal requirements and applicable program criteria. Additional objectives were to determine if professional certification program fees were reasonable, controls were adequate to ensure financial disclosure forms were filed in compliance with the law, and ethics complaints were addressed.

This audit was conducted pursuant to the State Auditor's responsibilities as set forth in Article VII, Section I, Paragraph 6 of the State Constitution and Title 52 of the New Jersey Statutes.

Methodology

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In preparation for our testing, we studied legislation, the administrative code, circulars promulgated by the Department of the Treasury, and policies of the department and the division. Provisions we considered significant were documented, and compliance with those requirements was verified by interview, observation, and through our testing of transactions. We also read the

budget messages, reviewed financial trends, and interviewed division personnel to obtain an understanding of the programs and the internal controls. In order to achieve our objectives, we performed various tests and analyses, as we determined necessary. Additional detail regarding our methodology and work performed can be found in the Appendix, as well as in the finding section when testing resulted in a reportable condition.

A nonstatistical sampling approach was used. Our samples were designed to provide conclusions on our audit objectives as well as internal controls and compliance. Sample populations were sorted, and transactions were judgmentally and randomly selected for testing. Because we used a nonstatistical sampling approach for our tests, we could not project the results to the respective populations.

Data Reliability

We relied on data from the New Jersey Comprehensive Financial System. Our office assesses the reliability of this system's data annually, and we have determined it to be sufficiently reliable for the purposes of this report. Certain other data in our report were used to provide background information. Data that we used for this purpose were obtained from the best available sources. *Government Auditing Standards* do not require us to complete a data reliability assessment for data used for this purpose.

Conclusions

We found that adequate controls were in place at the division to approve and disburse funds for Transitional Aid, Legislative Aid, public health emergency expenses, and other local government grants in compliance with internal requirements and applicable program criteria. Monitoring of local government grants was adequate. In making these determinations, we noted opportunities for improvement in monitoring Transitional Aid, Legislative Aid, and CRF public health emergency expenses. Additionally, ethics complaints were addressed and professional certification program fees were reasonable; however, controls should be improved to ensure compliance with the law regarding the filing of financial disclosure forms for local government officials.

We also made observations regarding the Transitional Aid program, the review and approval of continuing education courses, and using municipal financial data to create an online data dashboard.

Transitional Aid

Internal controls over Transitional Aid allocations should be strengthened.

Transitional Aid (TA) is discretionary aid available for municipalities with severe structural budget deficits that anticipate difficulties making payments toward nondiscretionary or critical obligations, including debt service, contractual obligations, and payroll. According to the division's local finance notices and the state's appropriation handbook, TA is designed to provide short-term financial assistance to help a municipality in serious financial distress meet immediate budgetary needs and regain financial stability. It is not intended to provide long-term budgetary supplementation.

A municipality must submit an application annually. Once TA has been awarded, municipalities are required to complete a memorandum of understanding agreeing to broad state oversight and committing to complying with specific items, including enacting or strengthening pay-to-play ordinances, performing reasonable revaluations or reassessments of property, and submitting to additional fiscal control measures directed by the division. State oversight is accomplished by assigning a division employee onsite at the municipality receiving TA to monitor financial decisions. Additionally, the local finance notices state an applicant seeking level or increased funding should submit a letter from the mayor addressing why the municipality failed to reduce its need for funding. As an incentive to improve fiscal management practices, the division would consider reducing oversight provisions for municipalities that decrease reliance on TA by at least 15 percent of the prior year award amount.

We judgmentally selected 7 of the 10 municipalities that received TA in 2021 and reviewed 17 applications completed by those municipalities between 2016 and 2021. Our testing noted the following:

- For fiscal year 2020, one municipality received \$8,250,000 in TA without a signed application and memorandum of understanding. Our review found the mayor had requested an extension to complete the application and subsequently submitted a letter stating the municipality no longer desired to operate under the memorandum of understanding (state supervision). Based on this decision, the city was aware that it would lose TA funding; however, the disbursed funds were not returned by the municipality.
- Four municipalities failed to submit six letters from the mayor explaining why the level of TA funding requested was not reduced from the previous year.

Additionally, during reporting years 2020 through 2022, ten municipalities received \$106.5 million in supplemental (one-time) TA payments for specific projects within the municipality. As part of the award process, the division generates an addendum to the TA application outlining the requirements the municipality must follow and the details of the projects the aid will fund. This addendum is signed by both the division and municipality. The division could not provide a methodology for how funds for these supplemental awards were allocated or how projects were

selected. Monitoring of these funds is performed by the state monitor assigned to the applicable municipality.

Recommendation

We recommend the division strengthen the TA application process by ensuring an application is completed prior to providing the assistance. In accordance with the local finance notices, the division should ensure applicants seeking level or increased funding submit a letter from the mayor addressing why the municipality failed to reduce its need for funding. The division should also develop a methodology that outlines the supplemental TA award process to ensure awards are transparent.



Coronavirus Relief Fund

Internal controls and monitoring over pandemic-related expenses should be strengthened.

The division was deemed the lead agency for the distribution of the Local Government Emergency Fund (LGEF), provided through an allocation of New Jersey's share of the CARES Act Coronavirus Relief Fund (CRF). The counties and municipalities excluded from the federal government's direct CRF allocation plan, as well as those counties and municipalities mostly impacted in comparison to their available resources, were eligible to receive funding. Distribution of funds was determined by the division's allocation formula, which included local COVID infection rates, population, and fiscal stress. The total allocation for these counties and municipalities was approximately \$60 million. Because the state was the primary recipient of CRF funds and is responsible for monitoring the spending by subrecipients, any costs deemed questionable by the U.S. Department of the Treasury would be recouped from the state.

Eligible entities could seek reimbursement for up to 100 percent of eligible costs incurred, not exceeding their maximum allocation. Confirmed unrequested, unapproved, or released amounts within any individual local unit's allocation may be redistributed to other grant program participants in accordance with the allocation formula. Upon completion of application review and approval, the division entered into an agreement with applicants approved for funding and disbursed the funds. The division required the fund recipients to submit documentation of their eligible costs.

Our audit tested applications submitted by all 12 counties and 12 of the 275 municipalities that did not receive direct funding from the federal government to determine whether grants were spent in accordance with the guidelines set by the division and the federal government. We tested grant payments totaling \$30,505,549 and noted four counties submitted questionable expenses totaling \$1,756,992. Examples of the questionable expenses included: vehicle purchases (Chevrolet Tahoe, Chevrolet Equinox, and Ford F-150), a John Deere Gator purchase, prisoner

transportation, and the purchase of miscellaneous items, such as breakfast boxes, aluminum trays, and hair covers. These expenses appear to be inconsistent with the program guidelines issued by the U.S. Department of the Treasury, and the state may be subject to recoupment by the federal government. Additionally, we found the department did not have supporting documents for expenses of one municipality totaling \$18,174.

Recommendation

We recommend the division enhance controls and improve monitoring to ensure federal funds are used in accordance with federal guidelines for eligible costs. Because the state is the primary recipient of CRF funds and responsible for subrecipient spending, funds should be recouped for questionable expenses.



Local Government Ethics Law – Financial Disclosure Statements

Financial disclosure statements are not being completed in accordance with state law.

The Local Government Ethics Law (N.J.S.A. 40A:9-22.1 et seq.) requires all local government officers to file an annual financial disclosure statement with the Local Finance Board (LFB) on or before April 30th each year. The purpose of completing this statement is to provide transparency of local government officer holdings to publicly identify the presence of potential conflicts of interest that might arise in the conduct of their public duties. The law also provides authority to assess fines not less than \$100 and not more than \$500 for violations, including late filing of financial disclosure statements. Local government officers are notified of the filing requirement by local government representatives, such as the municipal clerk, county clerk, local ethics board secretary, regional authority board secretary, county college president, or joint insurance fund executive director. The LFB has established an electronic filing system for financial disclosure statements on its website.

The division's LFB identified 1,418 local government officers who were required to file a 2021 annual financial disclosure statement but did not. The LFB tracks and maintains the submission of financial disclosure statements for officials employed by municipalities or counties that do not have an ethics board. The LFB did not assess penalties for calendar years 2019, 2020, and 2021; however, the LFB started assessing penalties during calendar year 2022.

Recommendation

We recommend the LFB enhance controls to ensure financial disclosure statements are filed in accordance with the Local Government Ethics Law. When disclosure statements are filed late or

not filed, penalties should be assessed. Penalties can be used as a method to discourage noncompliance with the financial disclosure statement filing requirements.



Legislative Aid

Required reports are not being completed to track spending and progress of Legislative Aid projects.

State Aid appropriations for various projects within the state are included in the accounts of the division; these funds are referred to as “Legislative Aid”. The legislature decides on the projects, and the funds flow through the division. This process started in fiscal year 2021, and allocations vary each year. Examples of projects from fiscal year 2022 included: \$15 million appropriated for the demolition of vacant property in a major city, \$1.8 million for a road improvement program, and \$1 million expansion of a community arts center. Total aid for fiscal years 2021, 2022, and 2023 is summarized in the chart below:

Legislative Aid Totals as of 9/13/2023				
Fiscal Year	# of Grants	Amount Appropriated	Amount Disbursed	Percentage
2021	9	\$ 18,050,000	\$ 18,050,000	100%
2022	17	\$ 22,758,000	\$ 17,424,000	77%
2023*	44	\$ 159,303,000	\$ 42,687,500	27%

*Fiscal year 2023 was included for informational purposes only.

The division enters into an agreement with each recipient. Pursuant to the agreement, the recipient must submit to the division supporting documentation for all grant expenditures. The agreement also requires performance reports be submitted indicating the progress of the project, which must be completed at agreed-upon frequencies, such as monthly, quarterly, or annually. Agreements for all Legislative Aid grants require quarterly progress reports. Additionally, a final report should be submitted to the division no later than 60 days after the completion of the grant or the termination of the agreement.

According to the grant agreements for fiscal year 2021, the end of the award period was November 30, 2022, and liquidation of obligations was to be made by February 28, 2023. For fiscal year 2022 grants, the end of the award period was May 31, 2023, and liquidation of obligations was to be made by August 29, 2023, except for one grant with an award period that ended on July 31, 2022.

We reviewed all nine of the fiscal year 2021 grants and found none of them had a final report. Additionally, only two of the nine grants had all of the required quarterly progress reports on file; four of the grants did not have all of the required quarterly progress reports completed, and three did not complete any.

The largest Legislative Aid award was to a local authority for the demolition of vacant property in a large city, with awards of \$15 million for each fiscal year 2021 and 2022 and \$35 million for fiscal year 2023. As of April 12, 2023, \$15 million was disbursed for fiscal year 2021, \$11.25 million was disbursed for fiscal year 2022, and no funds had been disbursed as of October 30, 2023, for fiscal year 2023. For fiscal year 2021, the authority, which is responsible for the coordination of the city demolition project, requested an extension for the project until December 31, 2022. We found only four quarterly progress reports were completed for fiscal years 2021 and 2022. However, these reports were neither signed nor on the proper letterhead and did not provide any details of the project's progress. According to the authority's meeting minutes from April 8, 2021, a contract totaling \$6.5 million was awarded to a contractor for the demolition of abandoned and vacant properties. We requested from the authority a list of properties demolished or scheduled to be demolished, expenditure support for each demolition, and the RFP used to award the demolition contract. However, we never received any of the requested documentation.

Recommendation

The division should request supporting documentation for all expenditures to ensure funds are being spent on their intended purposes. Additionally, grant agreement requirements for progress reports and final reports should be enforced to ensure projects are progressing and being completed as expected.



Observations

Transitional Aid

Transitional Aid payments intended to provide short-term relief to municipalities with severe structural budget deficits may be perceived as long-term budgetary supplementation.

As noted earlier in our report, Transitional Aid (TA) is discretionary aid available for municipalities with severe structural budget deficits that anticipate difficulties making payments toward nondiscretionary or critical obligations. According to the division’s local finance notices and the state’s appropriation handbook, TA is designed to provide short-term financial assistance to help a municipality in serious fiscal distress meet immediate budgetary needs and regain financial stability. It is not intended to provide long-term budgetary supplementation.

TA awards are categorized by the receiving municipalities’ reporting year as either calendar year or state fiscal year. During municipal reporting years 2016 to 2022, TA awards were made to 14 municipalities, of which 7 received TA awards during the entire seven-year period. The seven municipalities are shown in the chart below:

Municipality	2016	2017	2018	2019	2020	2021	2022
Atlantic City	\$ 24,145,298	\$ 13,000,000	\$ 3,900,000	\$ 3,315,000	\$ 2,817,750	\$ 2,395,088	\$ 2,035,824
Penns Grove*	\$ 358,000	\$ 356,000	\$ 450,000	\$ 550,000	\$ 475,000	\$ 550,000	\$ 550,000
Salem	\$ 1,130,000	\$ 1,130,000	\$ 1,400,000	\$ 1,500,000	\$ 1,500,000	\$ 1,500,000	\$ 1,658,000
Seaside Heights	\$ 750,000	\$ 1,400,000	\$ 1,190,000	\$ 1,011,500	\$ 1,011,500	\$ 859,775	\$ 730,809
Camden*	\$ 12,000,000	\$ 17,000,000	\$ 18,200,000	\$ 22,300,000	\$ 22,300,000	\$ 19,250,500	\$ 18,955,000
Paterson*	\$ 25,000,000	\$ 25,250,000	\$ 27,000,000	\$ 33,000,000	\$ 24,650,000	\$ 21,057,116	\$ 17,810,000
Union City*	\$ 17,800,000	\$ 8,700,000	\$ 10,000,000	\$ 20,000,000	\$ 19,500,000	\$ 22,500,000	\$ 22,500,000

*Four municipalities have been receiving TA continuously since 2011.

Our analysis of the TA awards to the seven municipalities above as well as Nutley and Trenton found 27 of the 45 awards were either the same or increased from the previous year. Only 14 of the 45 awards were reduced by 15 percent or more from the previous year. The intent of the TA is for short-term gap financing to assist municipalities through temporary fiscal crises; however, some municipalities have been receiving aid for long periods of time, which may be perceived as long-term budgetary supplementation. During our audit period, we also found no TA applications had been rejected; because of this, we analyzed historical TA applications and found none had been rejected since 2013. Additionally, we noted nine municipalities (13 applications) received \$5.5 million more than the amount requested.

Certification Unit

The division does not charge a fee to review and approve continuing education courses.

N.J.A.C. 5:32 requires the division to review and process applications for initial and renewal certifications, administer certification exams, and review and approve continuing education courses for professional certifications. The division administers programs for six professional certifications:

- Certified County Finance Officer (CCFO)
- Certified Municipal Finance Officer (CMFO)
- Certified Public Works Manager (CPWM)
- Certified Tax Collector (CTC)
- Qualified Purchasing Agent (QPA)
- Registered Municipal Clerk (RMC)

Currently, the unit reviews continuing education courses for at least 22 course sponsors at no cost; two of these sponsors are state universities. The sponsors charge between \$100 and \$1300 for the initial courses and between \$50 and \$250 for continuing education courses. During calendar year 2022, the division reviewed and approved 950 courses. Based on our survey and analysis, the division's Certification Unit employs two full-time and two part-time employees to provide these services. Considerable staff time is spent reviewing and approving courses, and fees are not charged for these services.

Budget Review and Analysis – Online Data Dashboard

A data dashboard could identify fiscal risk and improve transparency and accountability for local governments.

The division collects data from budgets and audited financial statements for all 565 municipalities, 180 authorities, and 279 fire districts. Using this financial data to develop a dashboard would allow citizens, policy makers, and other interested parties to have a data driven view of each municipality's fiscal health. The dashboard could incorporate fiscal risk factors to allow the division to address fiscal issues before they become unmanageable by the entity and require division intervention and Transitional Aid allocations. Other states, such as Washington and Michigan, have developed dashboards, and independent research has found states that monitor the fiscal health of local governments may be better prepared to address financial problems before they become unmanageable. An additional benefit of having this information readily available to the public is improved transparency and accountability.



Appendix

Methodologies to Achieve Audit Objectives

As part of our review of the division's professional certification programs, we compared the certification fees charged by the division to the fees charged by another state.

We reviewed the division's grant award process for the Fellowship Grant, Challenge Grant, Implementation Grant, and School Consolidation Study Grant. We randomly selected and tested 40 of 100 grants to determine if grant applications are reviewed and evaluated and whether funds are being used properly.

To review the division's compliance with the ethics law, we analyzed the number of days it took the division to address each ethics complaint filed during 2018 to 2021.





State of New Jersey

DEPARTMENT OF COMMUNITY AFFAIRS
101 SOUTH BROAD STREET
PO Box 803
TRENTON, NJ 08625-0803

PHILIP D. MURPHY
Governor

TAHESHA L. WAY
Lieutenant Governor

JACQUELYN A. SUÁREZ
Commissioner

June 20, 2024

Brian M. Klingele
Assistant State Auditor
Office of the State Auditor
125 South Warren St.
PO Box 067
Trenton, NJ 08625-0067

Re: Audit Report Division of Local Government Services, Department of Community Affairs

Dear Mr. Klingele:

Please accept this letter in response to the draft audit report of the Division of Local Government Services (DLGS) in the Department of Community Affairs (DCA) for the period of July 1, 2019 to June 30, 2022. DLGS continually strives to improve its functions and programs and appreciates the feedback on its operations and opportunity for improvement.

Recommendation:

We recommend the division strengthen the TA application process by ensuring an application is completed prior to providing the assistance. In accordance with the local finance notices, the division should ensure applicants seeking level or increased funding submit a letter from the mayor addressing why the municipality failed to reduce its need for funding. The division should also develop a methodology that outlines the supplemental TA award process to ensure awards are transparent.

DLGS Response:

DLGS has implemented a checklist for Transitional Aid (TA) applications to ensure that all required documentation is submitted prior to granting of an award, including a letter from the mayor if seeking level or increased funding.

Supplemental Transitional Aid is only granted to municipalities who already receive TA. DLGS uses the existing TA applications as the basis for determining Supplemental TA awards.



Recommendation:

We recommend the division enhance controls and improve monitoring to ensure federal funds are used in accordance with federal guidelines for eligible costs. Because the state is the primary recipient of CRF funds and responsible for subrecipient spending, funds should be recouped for questionable expenses.

DLGS Response:

DLGS was charged with the administration of and required to roll out the program in September 2020 to twelve (12) counties and two hundred seventy-five (275) municipalities and to execute grant agreements and disburse funds by December 31, 2020. Despite this tight timeline, we believe that the Federal Register and DLGS issued guidelines largely support the questioned expenditures as permissible. DLGS will evaluate controls and monitoring procedures to ensure federal funds are used in accordance with federal guidelines for eligible costs for any future programs.

Recommendation:

We recommend the LFB enhance controls to ensure financial disclosure statements are filed in accordance with the Local Government Ethics Law. When disclosure statements are filed late or not filed, penalties should be assessed. Penalties can be used as a method to discourage noncompliance with the financial disclosure statement filing requirements.

DLGS Response:

It is important to note that the Local Finance Board (LFB) is in but not of DLGS. During the COVID-19 pandemic when DLGS employees were working remotely and experienced difficulty conducting normal business operations, the LFB determined that there would be no enforcement of the FDS for the years 2019, 2020 and 2021.

The LFB accepts the recommendation made in the audit report. Our procedures have been enhanced subsequent to the audit and enforcement action was taken in 2022, 2023 and 2024. A fine of \$100 was levied to all local government officers within the LFB's jurisdiction who were required to file but did not comply in 2022, 2023 and 2024.

Recommendation:

The division should request supporting documentation for all expenditures to ensure funds are being spent on their intended purposes. Additionally, grant agreement requirements for progress reports and final reports should be enforced to ensure projects are progressing and being completed as expected.

DLGS Response:

DLGS did request supporting documentation and progress reports to ensure all funds were expended on their intended purpose. Despite our best efforts and continued follow up grantee cooperation was not 100%. After the initial year, DLGS changed the funding methodology so that final payment is on a reimbursement basis and will not be made if all supporting documentation and reporting is incomplete.

Observation:

Transitional Aid payments intended to provide short-term relief to municipalities with severe structural budget deficits may be perceived as long-term budgetary supplementation.

DLGS Response:

Transitional Aid began in FY2011 as a consolidation of the Special Municipal Aid, Extraordinary Aid, and Capital City Aid programs. Special Municipal Aid began with the Special Municipal Aid Act of 1987, which authorized an aid program for Urban Aid municipalities, municipalities operating under the Local Government Supervision Act, and those that issue Qualified Bond Act debt. The program was designed to provide short-term loans and grants to municipalities experiencing budgetary difficulties in generating adequate local revenues, to help them meet immediate budgetary needs and help them regain their financial stability. Four years later, Extraordinary Aid was established in 1991 under the Supplemental Municipal Property Tax Relief Act, offering discretionary aid to municipalities experiencing fiscal distress, in need of funding to support cost savings and revenue enhancement initiatives, or facing extraordinary expenses. Capital City Aid began in 2004 to compensate the City of Trenton for serving as home to the State Capitol and for the significant amount of State-owned real property. There were additional formula aid programs aimed at distressed communities that predated the predecessors to Transitional Aid, including the municipal revitalization program, urban aid, and rural aid. These aid programs were all combined into Consolidated Municipal Property Tax Relief Aid (CMPTRA) in FY1994.

While the Transitional Aid program is designed to provide short term financial assistance for municipalities with significant fiscal stress, it is actually a consolidation of various municipal aid programs as noted above to assist fiscally distressed municipalities. The reality is that there are a small number of municipalities in New Jersey with structural budget deficits that cannot be filled in the short term. Analysis by DCA shows that these municipalities would require an estimated \$4 billion in 2024 dollars collectively, of new ratable growth, to bring them to the point where fiscal recovery is possible. In the meantime, without another program to supplant TA, a relatively small State contribution can keep these municipalities operating on a base level and prevent further financial decline until long term recovery can be achieved. Although the TA program has several longer-term participants, each year the municipalities must make the case through the application process and considerable documentation of their financial status to justify their continued receipt of aid.

It is also important to note that there have been no new participants in the program in the past several years and some municipalities graduated from the program. Since 2018 four (4) municipalities graduated from TA – Newark, Asbury Park, Nutley, and Manville.

Observation:

The division does not charge a fee to review and approve continuing education courses.

DLGS Response:

The Audit report noted that the Certification Unit has two (2) full-time and two (2) part-time employees. Currently, the Unit has only (2) full-time employees.

Education of local government officials is central to the mission of DLGS. The observations note that the sponsors charge between \$50 and \$250 for continuing education courses, however,

not all sponsors charge for the contact hours. Sponsors are municipalities, counties, institutions of higher education, non-profits, professional organizations, and private companies.

While it may not be feasible to charge a fee in all cases, DLGS will evaluate the costs and benefits of charging a fee for this service.

Observation:

A data dashboard could identify fiscal risk and improve transparency and accountability for local governments.

DLGS Response:

DLGS maintains the FAST Open Data Portal, offering transparency and public access to municipal budget documents, annual and supplemental debt statements, and audits. On the Portal, DLGS publishes the User-Friendly Budget (UFB) Database, which offers budget, staffing, personnel cost, financial, credit rating, and debt information for municipalities in a flexible, easy-to-use format. The Database is based on a summary of data entered in the UFBs prepared by New Jersey municipalities for their adopted budgets since 2015. The Database contains an interactive table feature that allows the public to create custom tables and graphs on any UFB indicator dating back to 2015, like the dashboard features utilized by other states. DLGS also publishes the Best Practices Inventory, the results of an annual survey that gauge each municipality's compliance with fiscal and operational best practices. The Inventory answers provide taxpayers with an additional means of evaluating their municipality's performance.

Please let me know if you have any additional questions regarding this response.

Sincerely,



Michele E. Meade
Deputy Director
Division of Local Government Services

MEM/

Cc: Jacquelyn A. Suárez, DCA Commissioner