Notes from the Dais – Understanding the 2026 Municipal Budget (Do Not Be Afraid) – James Schworn, Mayor

As I look out my window, I can see the last remnants of snow alongside welcome swathes of green grass. That can only mean one thing: spring is around the corner.

Spring is also the time of year when the Township Committee adopts our annual municipal budget. Each year, the governing body approves a budget that determines how the municipal portion of your property tax is spent.

Because the process can seem complex, I want to take a moment to explain where your tax dollars go and how municipal budgeting actually works.

Where Municipal Revenue Comes From
Property taxes are the primary source of municipal revenue, but the Township also receives funds from several additional sources, including:

- Licenses, permits, and fees
- Fines and penalties
- State and federal grants
- Interest on municipal investments

It should also be noted that there are separate and distinct funding allocations for sewer utilities and open space. Funds collected under those line items can only be used for their designated purposes.

Where Your Property Tax Dollar Goes
One of the most common misconceptions is that the municipality controls the entire property tax bill. While the Township is responsible for collecting property taxes, in reality only a small portion of those taxes support municipal government.

In the simplest terms, the typical property tax dollar is distributed approximately as follows:

- 20% – Municipal Government
- 20% – County and State obligations
- 60% - School District

It is important to understand that the school district, the county/state, and the municipality are three completely separate taxing entities, each with its own independent budget. The school board is a legally recognized taxing authority, and the county and state governments are also taxing entities. The Township has no authority over how the school district allocates or spends its tax revenues, and we have even less influence over how the county or state spend their funds.

These entities are not competing for the same tax dollar. Instead, the property tax is allocated among the three entities according to established formulas. The Township simply collects the tax payments and distributes the appropriate share to the county and the school district.

What the Municipal Portion Pays For
The municipal share—about 20 cents of every property tax dollar—supports the services residents rely on every day, including:

- Police, emergency services, and public safety
- Public works and road maintenance
- Snow Removal
- Park improvements and maintenance
- Recreation Programs
- Senior Citizen programs
- Planning, zoning, and code enforcement
- Administrative services that keep the town operating

Again, that represents roughly twenty cents of every tax dollar. The remaining eighty cents of your property tax bill supports the school system and county/state-level services.

Operating Expenses vs. Capital Expenses
Municipal budgets are divided into two major categories: operating expenses and capital expenses.

Operating Expenses:
Operating expenses represent the day-to-day cost of running the township. These are recurring expenses that occur every year and are necessary to maintain ongoing services.
Examples include:

- Salaries and benefits for municipal employees
- Police and emergency services
- Road maintenance and snow removal
- Fuel and utilities
- Equipment maintenance
- Insurance and professional services
- Administrative costs

Capital Expenses:
Capital expenses are different. These represent long-term investments in infrastructure or major assets that serve the community for many years.

Examples include:

- Major road construction projects
- Large equipment purchases such as fire trucks or ambulances
- Facility improvements
- Land or facility acquisitions

In many ways, the municipal budget functions much like a household budget. There are certain things you know will eventually need to be replaced—your roof, driveway, or sidewalk. Those

are similar to capital expenses. Your monthly utilities, groceries, or gasoline for your car are more like operating expenses. Just as you review your household finances to ensure you can meet those obligations each month, the Township reviews its revenues and expenses to ensure we can continue providing services responsibly.

Line-Item Budgeting and Accountability
Municipal budgets in New Jersey are structured using line-item accounting, which is required by the State.

Under this system, every category of spending is specifically identified and assigned a dollar amount, which must be approved as part of the annual budget.

These line items typically include departmental budgets such as:

- Police Department
- Public Works
- Parks and Recreation
- Administration
- Insurance and utilities
- Debt service for capital projects

Municipalities cannot freely move money between these accounts during the year. Funds can only be adjusted through specific procedures, usually toward the end of the fiscal year.

This system is designed to ensure transparency and accountability, preventing funds from being shifted between projects without proper oversight.

State Budget Caps
Since reforms implemented during the administration of Governor Chris Christie, municipalities operate under two important spending limits.

The first is the 2% spending cap, which generally limits increases in the municipal spending to about 2% per year, with exceptions for limited items.

The second is the 2% tax levy cap, which limits how much municipalities can increase the municipal property tax levy each year.

These restrictions are intended to protect taxpayers from excessive increases, but they can also create challenges when costs rise or when state mandates require municipalities to expand services.

For example, state affordable housing requirements may require a community to grow by 10–15 percent, placing additional demand on municipal services while budget growth remains capped.

Planning for the Future
Each year, the Township Committee meets with department heads and emergency service leaders to review capital needs and long-term priorities.

We then evaluate those requests, review the projected costs, and prioritize projects based on:

- Availability of funding
- How the financing can be structured
- The overall benefit to residents
- The urgency of the need

This planning process helps ensure that municipal investments are made strategically and responsibly.

Municipal Debt and Capital Planning

Finally, it is important to discuss municipal debt. In principle, we abhor debt and we always approach it carefully. However, just as homeowners sometimes finance major purchases such as a home, a roof replacement, or a vehicle, municipalities sometimes use structured borrowing for large capital investments.

This typically occurs through municipal bonds, which allow the cost of major infrastructure projects—such as road construction or emergency equipment—to be spread over time.

Bonding is not part of the municipal budget process itself. Each bond must be approved by the Township Committee separately during multiple public meetings.

Every bond ordinance requires two public readings, and each ordinance clearly specifies:
The amount being borrowed
The term of the bond
The specific project for which the funds will be used

Those funds cannot be used for any purpose other than the project identified in the bond resolution. This ensures full transparency and prevents misallocation of taxpayer dollars.

The good news is that our township remains financially strong and fiscally responsible. Our strong credit rating allows us to borrow at very favorable interest rates, keeping costs low for taxpayers while ensuring that necessary infrastructure investments can be made when needed.

Responsible Stewardship

The goal of the governing body each year is to strike a careful balance between maintaining essential services, investing in long-term infrastructure, and managing costs responsibly for taxpayers.

It is important for residents to understand how the budget process works and to ensure that the process remains as transparent as possible. Transparency allows residents to clearly see the difference between municipal spending and the overall property tax bill, and it highlights the importance of thoughtful financial planning for the future of our community.

I encourage every resident to review the proposed 2026 municipal budget and to attend the public meeting if you have any questions regarding the budget process or the specific allocations within the budget.

Thank you for your continued support and engagement as we work together to ensure a fiscally responsible and thriving Branchburg for all residents.