

Princeton Public Schools

2019-20 Budget Q&A

1. How much is the budget for next year?

The operating budget or “general fund” is \$91,729,091, which represents a 1.27% increase over last year.

The total budget, including debt service, is \$100,425,988, which represents a 1.42% increase over the prior year.

2. Why was the budget for 2019-2020 such a difficult one to balance?

The budget situation for our school district has actually been getting progressively more difficult each year. This year, however, was the first time since 2010 when we had to make significant reductions in staff. The challenge is largely structural. We have rising enrollment, some significantly rising expenses, and a 2% cap on the increase in revenues we can raise through our local tax levy. When expenses outpace revenues, a budget gap develops, necessitating reductions. This year, we started the budget process with a gap of close to \$2 million.

3. What are some of the expense “drivers” that have risen at a rate significantly greater than 2% each year?

- **Salaries represent 59% of the operating budget.** Over the past five years, we have seen an average increase in total salary expenditures of 3.5% per year, reflecting our obligation to meet the educational needs of a steadily growing student population as well as our contractual obligations to our staff. Salary costs will be lower in next year’s budget, reflecting the reductions in staff that we have been forced to make.
- **Employee health and prescription drug coverage**, which represents 18% of the operating budget, is up 8% for next year. The average increase for the past five years has been 6% per year.

- **Princeton Charter School tuition**, which represents 7% of the operating budget, is up 6% for next year. The average increase for the past five years has been over 8% per year.

4. What exactly is the “2% Cap,” and can it sometimes be more than 2%?

The general property tax levy, which provides our school district with 85% of its operating revenues, can only be increased by 2% from year to year. That is what is meant by the “2% Cap.” The law allows for two exceptions (known as “waivers”) through which a district might be allowed to raise the tax levy by more than 2%:

- Healthcare premiums – this year the NJ Department of Education permitted the District to raise the general tax levy by an additional .62% for rising healthcare costs. This additional amount still fell short of projected healthcare costs by \$767,753.
- Enrollment – in some years, the NJ DOE adjusts the 2% cap upward if a District has rising enrollment, based on a complex formula. The District did NOT receive an enrollment adjustment this year, despite an enrollment increase of .95%. Past adjustments have not kept up with increased enrollment, which increased 6.3% from 2015 – 2018 alone.

5. When enrollments increase as a result of new housing, doesn’t the district receive more money as a result of an increased tax base?

No. The tax levy for the District’s operating budget is based solely on the previous year’s tax levy. It is unrelated to the local tax base.

As the local tax base increases due to new housing and development (by 6.12% from 2013 - 2018), the cost of school taxes is shared more broadly across the taxpayer base, but, under current State law, the amount received by the schools does not reflect this increase.

6. How much money does the District receive from the State and by how much is the District “underfunded” according to the State’s formula?

State funding provides \$6.1 million for the District’s general fund and debt service, equaling only about 6% of total revenue.

By the State’s own calculation, it is underfunding the District by over \$900,000 in uncapped State formula funding for next year, adding to the budgetary pressures the District is facing.

On paper, the District will get a slight increase in State aid for next year of \$130,000. The State aid announcement, however, also required an almost equivalent tuition increase payable to the Princeton Charter School (above the increase previously budgeted). The State did increase debt service aid by \$223,000, which will help with interest expenses but not with the operating budget. This increase was anticipated and is in line with what our Financial Advisor projected at the time of the December referendum.

7. What is the tax rate and increase for the average homeowner?

The 2019 school tax rate is projected to be \$1.151 per \$100.00 of assessed value, which translates into an additional \$264 for a home in Princeton assessed at the average value of \$838,562.

8. How large was the budget gap and why was there a need for a reduction in staff?

The budget development process began with a roughly \$2 million gap between projected revenues and expenses. While we initially sought to close the budget gap in ways not involving staff, such as reducing the amount devoted to new or replacement technology, those reductions were not enough. The simple reality is that the Princeton Public Schools is a human organization. We employ 772 people, ranging from counselors to custodians and from teachers to technology aides. Consequently, nearly 77% of our operating costs are associated with salaries and benefits. Ultimately, we had no choice but to balance the budget by including

reductions in our staff of approximately 3%. Those reductions will affect teachers, support staff and administration.

9. What process did the District follow in making those staff reductions?

Our goal throughout the process was to limit as much as possible the impact on teaching and learning and to limit the impact on the lives of our employees. When we could make reductions more naturally through retirements and resignations, we did so. When we could reduce the number of stipends for extra services or payments beyond the base salary for the teaching of additional periods and still maintain course offerings and adequate support for students, we did that as well.

In deciding on reductions involving whole positions, we looked first at the high school, where enrollment had declined by 50 students from the year before. We found that we could create some efficiencies by consolidating class sections with smaller enrollments to create sections with larger ones, thereby eliminating one position each in science, math, English and history, along with a part-time position in World Language. At the elementary schools, we looked for efficiencies as well and recommended that we reduce the number of AIS (Accelerated Intervention Services) teachers at each school from three to two.

More generally, like all public school districts in New Jersey, Princeton operates with a system of tenure. Teachers and administrators with more than four years of experience are generally guaranteed a position if one is available in their area of certification. Consequently, any reductions in staff for budgetary reasons typically involve the non-renewal of non-tenured staff who are newer to the District.

10. How will students and learning be impacted by these reductions?

We have strived very hard to maintain our programs and to keep our focus on the highest quality of learning for our students. It is possible that some class sizes will be larger or that fewer class sections will be offered in a particular course.

11. Can the funds raised through the passage of the December referendum help to bridge the budget gap?

No. The \$26.9 million in bond funds raised through the December referendum is dedicated to pay for capital projects, including security upgrades, HVAC improvements and building renovations across the District. Capital funds cannot be used for District operating expenses. Debt service on the bonds is paid for primarily by taxpayers through a separate property tax levy of \$5.75 million, as well as interest on invested funds.

12. What steps can the Board and community take to proactively address the budget situation?

We know the economic and political conditions are not going to change quickly. We will have to find new ways to ensure that we can continue to maintain and improve the outstanding education that our community expects and all of our children deserve. To that end, we will keep working collaboratively with the associations for our teachers, administrators, and support staff to find mutually beneficial savings in healthcare. We will continue working with the town on cost-savings through shared services and smart planning. We will strive to collaborate with the Princeton Charter School to seek legislative changes in the school funding formula. We will align with our peer districts across the state, many of which are facing similar pressures, and we will continue to rely on the support of our many community partners.

This Board has made hard choices, sometimes with heavy hearts, and consistently with a larger vision in mind. We believe that with challenge comes opportunity – for the District, the Board, and as a community. Together, we will keep our focus on our responsibilities to maintain and develop the Princeton Public Schools as the home of people and programs

that promote equity, wellness and excellent teaching and learning. We are grateful to be part of a community that is preparing all children to lead lives of joy and purpose.