

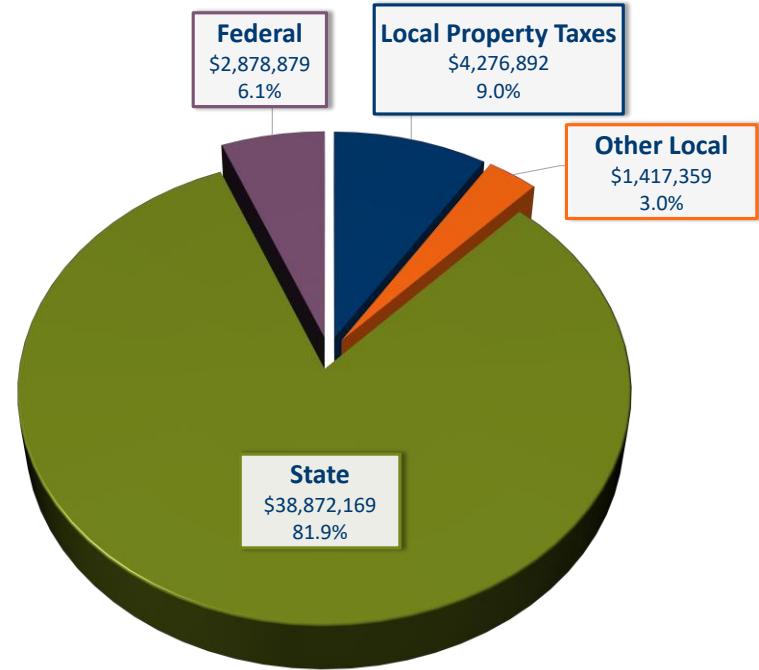


Princeton Public Schools

Community Engagement Task Force Meeting
September 24, 2024

School District Funding

- Primary funding source for operating costs is state aid
- **Maximum** authorized property tax levy authority is **determined by state funding formulas**
- Districts can levy less, but not more than amount authorized by state, unless approved by voters



General Fund Revenues for Fiscal Year Ended June 30, 2023

Overview – School Property Tax Levy Authority

- School finance and property tax systems in Minnesota are complex
 - ✓ Revenue primarily based on **enrollment** (not driven by tax base*)
 - Property values increase $\neq$ school district tax levy authority increase
 - One exception – voter approved capital project/technology levies are based on tax rate

State set funding formulas that fund school operations are mostly driven by dollar amounts per pupil *

	Base Year	10 % Increase Tax Base	Change
Pupils	8,000	8,000	0
\$ Revenue Per Pupil *	\$2,000	\$2,000	\$0
Tax Levy	\$16,000,000	\$16,000,000	\$0
Tax Base**	\$100,000,000	\$110,000,000	\$10,000,000
Tax Rate	16.00%	14.55%	-1.45%

	Base Year	10 % Decrease Tax Base	Change
Pupils	8,000	8,000	0
\$ Revenue Per Pupil *	\$2,000	\$2,000	\$0
Tax Levy	\$16,000,000	\$16,000,000	\$0
Tax Base **	\$100,000,000	\$90,000,000	-\$10,000,000
Tax Rate	16.00%	17.78%	1.78%

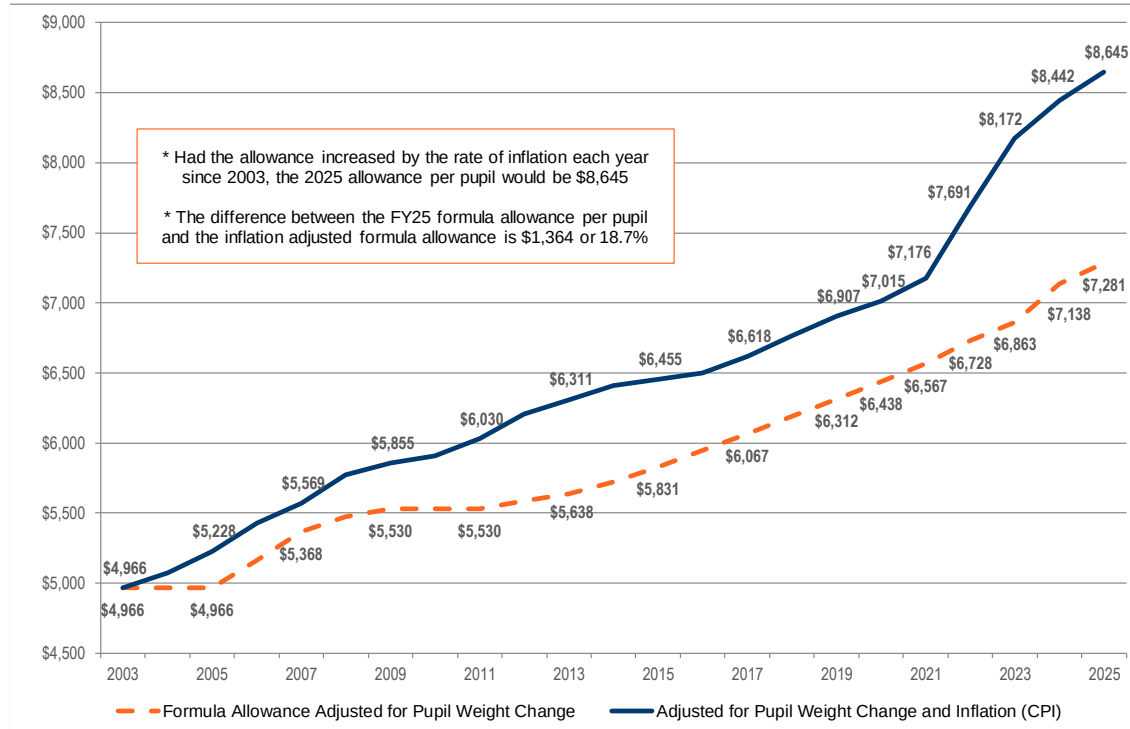
** Changes in tax base don't typically result in more or less revenue for a school district.

Tax rates are a function of the amount generated per pupil divided by the tax base

General Education Formula Allowance

General Education Formula Allowance, 2003-2025

Adjusted for Pupil Weight Change and Inflation (CPI)



Source: MDE June 2024 Inflation Estimates and Minnesota Laws 2023

Reliance on Referendums

- Other funding sources also have not kept pace with inflation or costs of providing services
- Only options for districts to bridge funding gap are to cut budgets or request operating referendum and/or capital project levy revenue authority from voters; most districts have done both

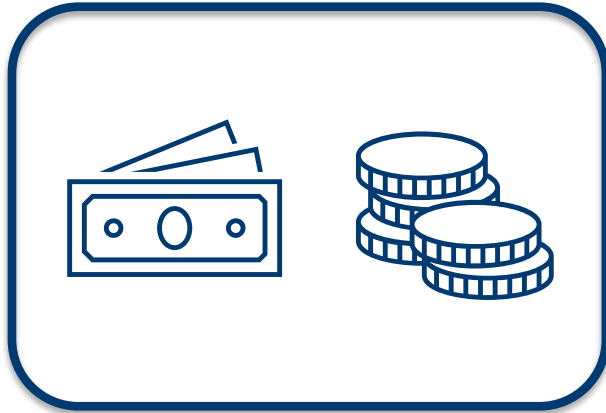
Voter-Approved Funding

- “Levies are for Learning”
 - ✓ Operating Referendum
 - ✓ Capital Project Levy
- “Bonds are for Building”
 - ✓ Building Bonds

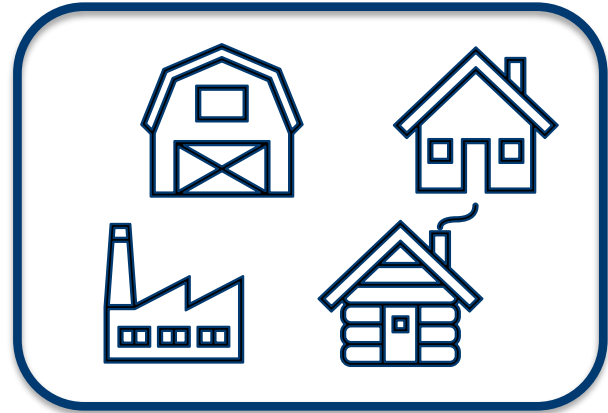
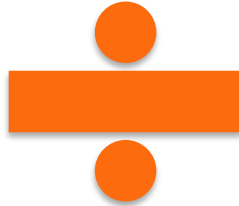
Voter-Approved Operating Revenue

	Op Ref	CPL
Districts with Referendum	235	62
Districts with No Referendum	92	265
Districts with Referendum	72%	19%
Districts with No Referendum	28%	81%
Districts with Operating Referendum only	235	
Districts with Capital Project Levy only		6
Districts with Both		56

Tax Rate Equation



Tax Levy



Tax Base

Tax Base by Property Type

Assessment Year 2023 (Taxes Payable 2024) Tax Base by Property Type

	Market Value	Percent of Total	Referendum Market Value*	Percent of Total	Net Tax Capacity**	Percent of Total
Totals	3,293,080,468	100.0%	2,855,968,675	100.0%	32,813,528	100.0%
Residential Homestead	2,268,099,993	68.9%	2,240,474,576	78.4%	22,064,493	67.2%
Other Residential	259,721,157	7.9%	256,032,057	9.0%	2,694,529	8.2%
Commercial / Industrial	189,510,000	5.8%	189,510,000	6.6%	3,569,331	10.9%
Non Qualifying Agricultural	171,520,959	5.2%	169,032,442	5.9%	1,638,997	5.0%
Qualifying Agriculture	342,006,059	10.4%	-	0.0%	2,378,026	7.2%
Seasonal Recreational	62,222,300	1.9%	919,600	0.0%	629,309	1.9%
TIF & FD					-161,157	-0.5%
			- Local Optional Revenue - Transition & Equity 29% of Total Levy		All other school taxes including building bonds 71% of Total Levy	

**Totals include TIF and Fiscal Disparities adjustments

Financing Tools



Multiple financing tools



“Tools for Financing Capital Projects” booklet



Growing trend

- ✓ Mix & match
- ✓ Get advice early to be creative



Effective use = SUCCESS!

School Finance Solutions – Voter Approved

Available Financing Tools for Capital Projects		New Bldg./Bldg. or Land Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety	Parking Lots	Energy Improvements	Security Improvements	Furnishings/Equipment	Property Tax Impact	Ag2School Credit	NOTES	
VOTER APPROVED	Building Bonds	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	Subject to state review & comment	
	Operating Referendum	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		Annual revenue based on amount per pupil	Annual revenue can be used to make payments on certain debt
	Capital Project Levy	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓		Annual revenue based on percent of tax base	

School Finance Solutions – Board-Approved

Available Financing Tools for Capital Projects		New Bldg./Bldg. or Land Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety	Parking Lots	Energy Improvements	Security Improvements	Furnishings/Equipment	Property Tax Impact	Ag2School Credit	NOTES
SCHOOL BOARD APPROVED	Facilities Maintenance Bonds <i>Deferred Maintenance</i> (All except 1A Alt. Fac. Districts)					✓	✓	✓					✓	Payments financed from LTFM revenue
	Facilities Maintenance Bonds <i>Indoor Air Quality</i> (All except 1A Alt. Fac. Districts)						✓					✓	✓	HVAC, fire suppression, asbestos abatement over \$100k or remodeling for Pre-K
	Facilities Maintenance Bonds (1A Alt. Fac. Districts)					✓	✓	✓				✓	✓	Districts with certain qualifying features (students per grade, building age, and building square footage) may participate

School Finance Solutions – Board-Approved

Available Financing Tools for Capital Projects		New Bldg./Bldg. or Land Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety	Parking Lots	Energy Improvements	Security Improvements	Furnishings/Equipment	Property Tax Impact	Ag2School Credit	NOTES
SCHOOL BOARD APPROVED	Capital Facilities Bonds			✓	✓	✓	✓	✓	✓				✓	Payments financed from general fund revenue
	Capital Notes									✓			✓	Payments financed from general fund revenue

School Finance Solutions – Board-Approved

Available Financing Tools for Capital Projects		New Bldg./Bldg. or Land Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety	Parking Lots	Energy Improvements	Security Improvements	Furnishings/Equipment	Property Tax Impact	Ag2School Credit	NOTES
SCHOOL BOARD APPROVED	Lease Purchase without Levy	✓	✓		✓			✓			✓			Payments financed from general fund revenue
	Lease Purchase with Levy	✓	✓									✓		Can be used for new buildings or building purchases for non-regular instruction, or building additions under 20% of existing building for regular elementary or secondary instruction

School Finance Solutions – Board-Approved

Available Financing Tools for Capital Projects		New Bldg./Bldg. or Land Purchase	Building Additions	Building Renovations	Site Improvements	Deferred Maintenance	Health/Safety	Parking Lots	Energy Improvements	Security Improvements	Furnishings/Equipment	Property Tax Impact	Ag2School Credit	NOTES
SCHOOL BOARD APPROVED	Abatement Bonds						✓				✓	✓		Public hearing required

Operating Referendum

November election ballot question, stated per pupil, estimated cap for Taxes Payable 2025 / Fiscal Year 2025-26 is \$2,266
(no cap for sparsity districts)

Allows districts to generate additional general education revenue

Revenue can be a combination of local property tax levies & state aid (Princeton does not qualify for any aid)

Annual levy, maximum length of 10 years

Taxes spread on Referendum Market Value
(most property types pay same taxes per dollar of property value)

Revenue may be used for any operating or capital expenses
(e.g. staff salaries & benefits, utilities, supplies, technology)

Capital Project Levy (CPL) Referendum

Election ballot question,
stated tax rate

Allows districts to generate
additional revenue for
technology and capital
projects

Revenue provided through
local property tax levies

Annual levy, maximum
length of 10 years

Taxes spread on Net Tax
Capacity
(All taxpayers pay, but may pay
different amounts based on the type
of property)

Revenue may be used for
items consistent with the
ballot language

Operating Referendum vs CPL

	Operating Referendum	Capital Project Levy
Tax Levy Based On	Referendum Market Value	Net Tax Capacity
Funding Source	Tax Levy / State Aid	Tax Levy
Authority	Per Pupil	Tax Rate
Inflationary Factor	Optional / CPI	No / Changes with Tax Base
Maximum Amount	\$2,205 per pupil	No maximum
Allowable Uses	Any Operating Expenditure	Technology / Capital Expenditures
Election Dates	November	Feb, Apr, May, Aug, Nov
Maximum Length	10 years	10 years
School Board Renewal	Yes (one-time)	No

New Operating Revenue – Available When?

November
2025

- Referendum
Vote

December
2025

- School Board
certifies the
levy

Taxes Payable
2026

- 1st year of
new tax levy

Fiscal Year
2026-27

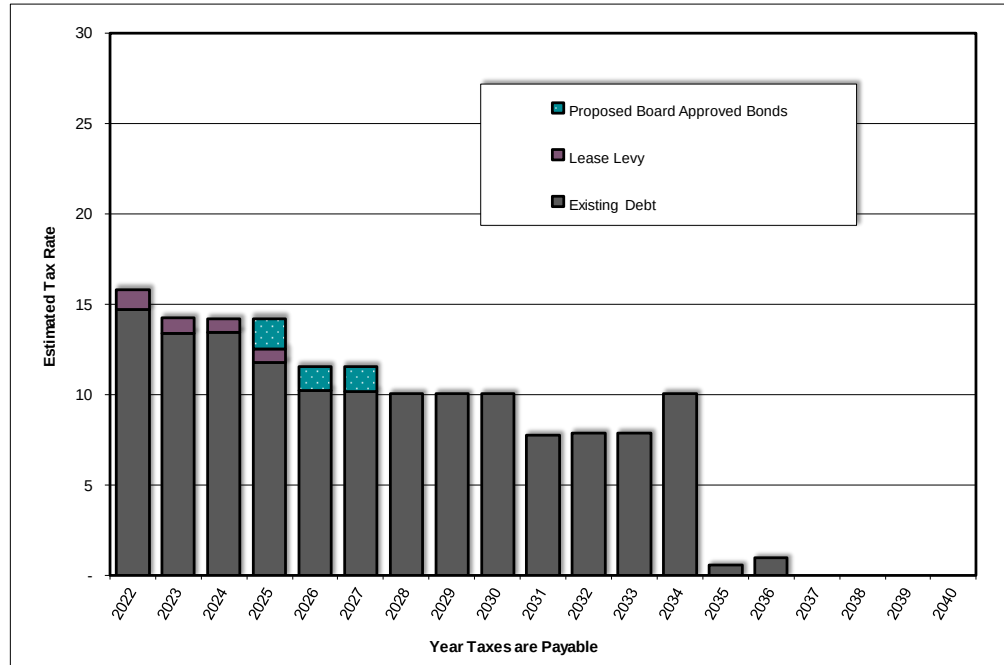
- 1st year
revenue is
available

Existing Debt

Princeton Public School District No. 477
Estimated Tax Rates for Capital and Debt Service Levies
Existing Commitments and Results for 2023B Refunding Bonds

Existing Capital and Debt Levies
With Results for 2023B Refunding Bonds
and Possible Facilities Maintenance Bonds

Date Prepared: July 11, 2024

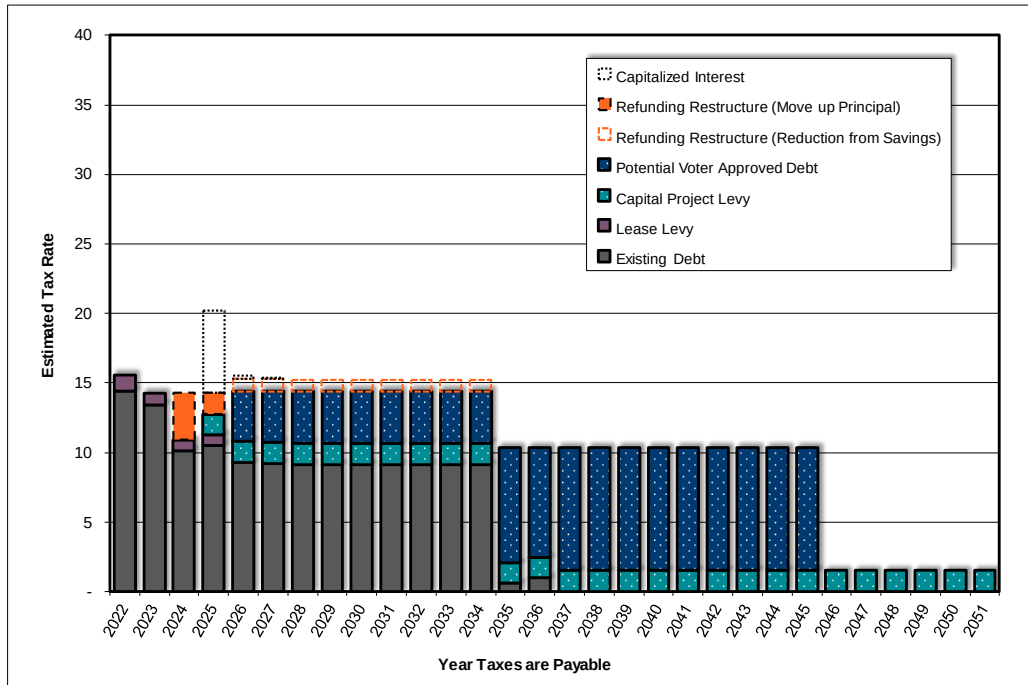


Ability to Structure Debt

Princeton Public School District No. 477
Estimated Tax Rates for Capital and Debt Service Levies
Existing Commitments and Proposed New Debt

\$25,000,000 Bond Issue
20 Tax Levies
Wrapped Around Existing Debt

August 10, 2023



Date Prepared: August 10, 2023

November 2025 Election Timeline

Action	November 4, 2025 Election
Review and Comment Due to MDE:	6/17/2024
Adopt Resolution Calling the Election:	8/12/2025
Hold Special Election:	11/4/2025

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