

Preliminary Budget Presentation

March 17, 2026

Overview of Presentation

- Broad Context
- Background and summary of current budget
- Key elements of proposed 2026/2027 budget
- Next steps and thoughts

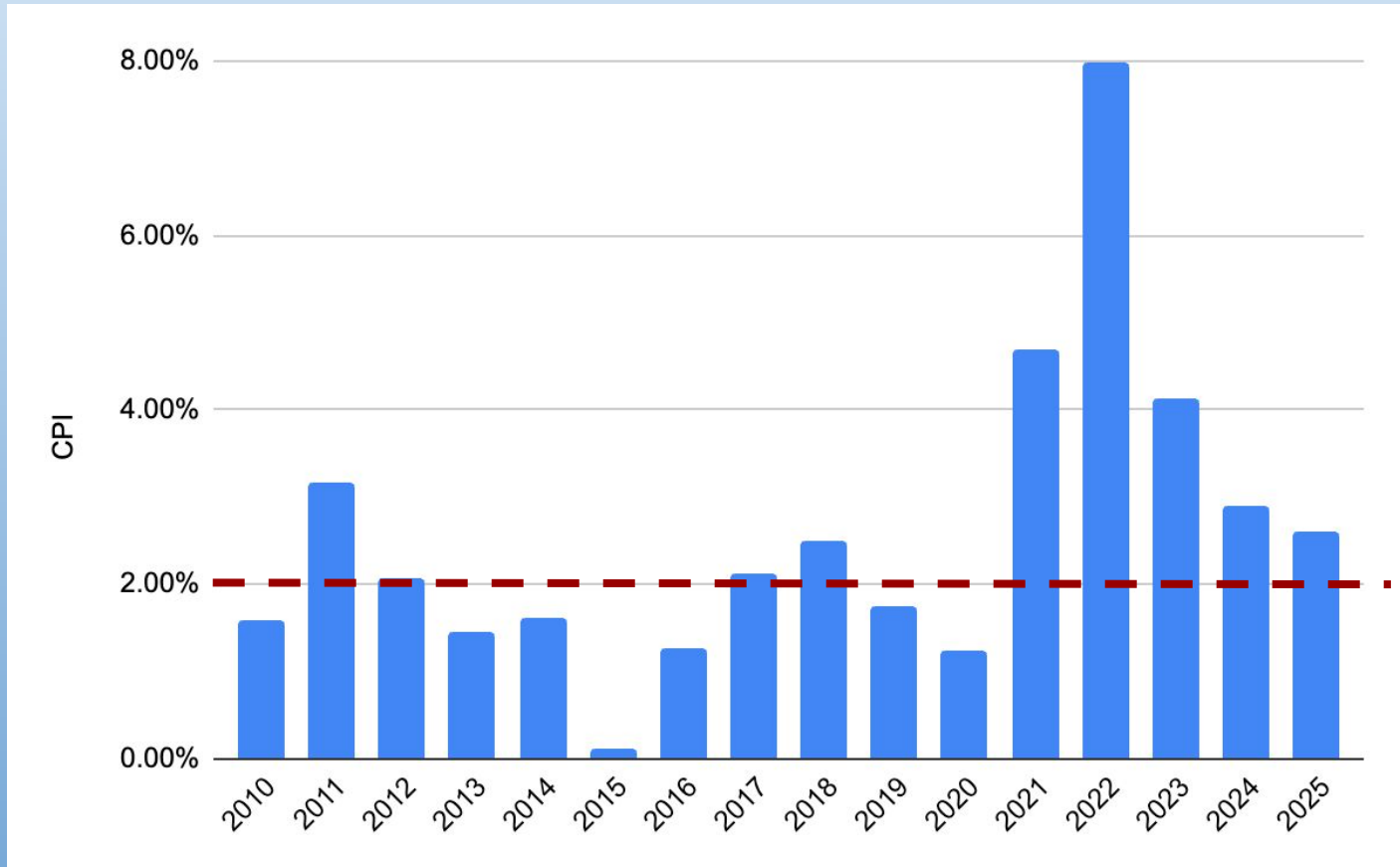
Goals and Priorities

- Maintain all current programming
- Implement modest improvements to better meet the learning needs of students
- Find efficiencies or improvements to better ensure fiscal stability

Context: New Jersey's Tax Levy Cap

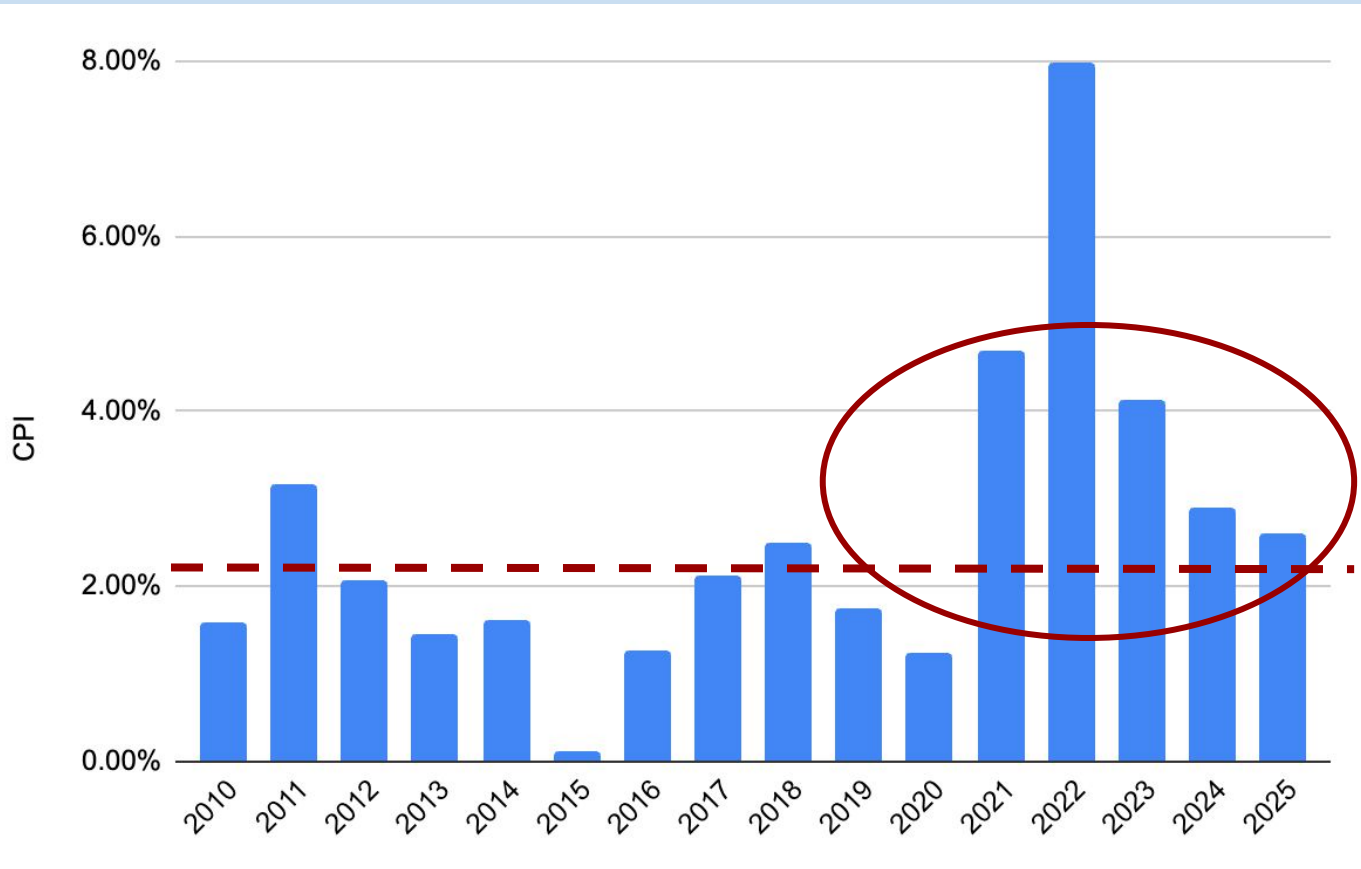
- Enacted in aftermath of the 2008 financial crisis (July 13, 2010)
- Took effect in the 2011/2012 school year
- Eliminated the soft cap of 4% on school district tax levies

Context: Annual C.P.I. by Year



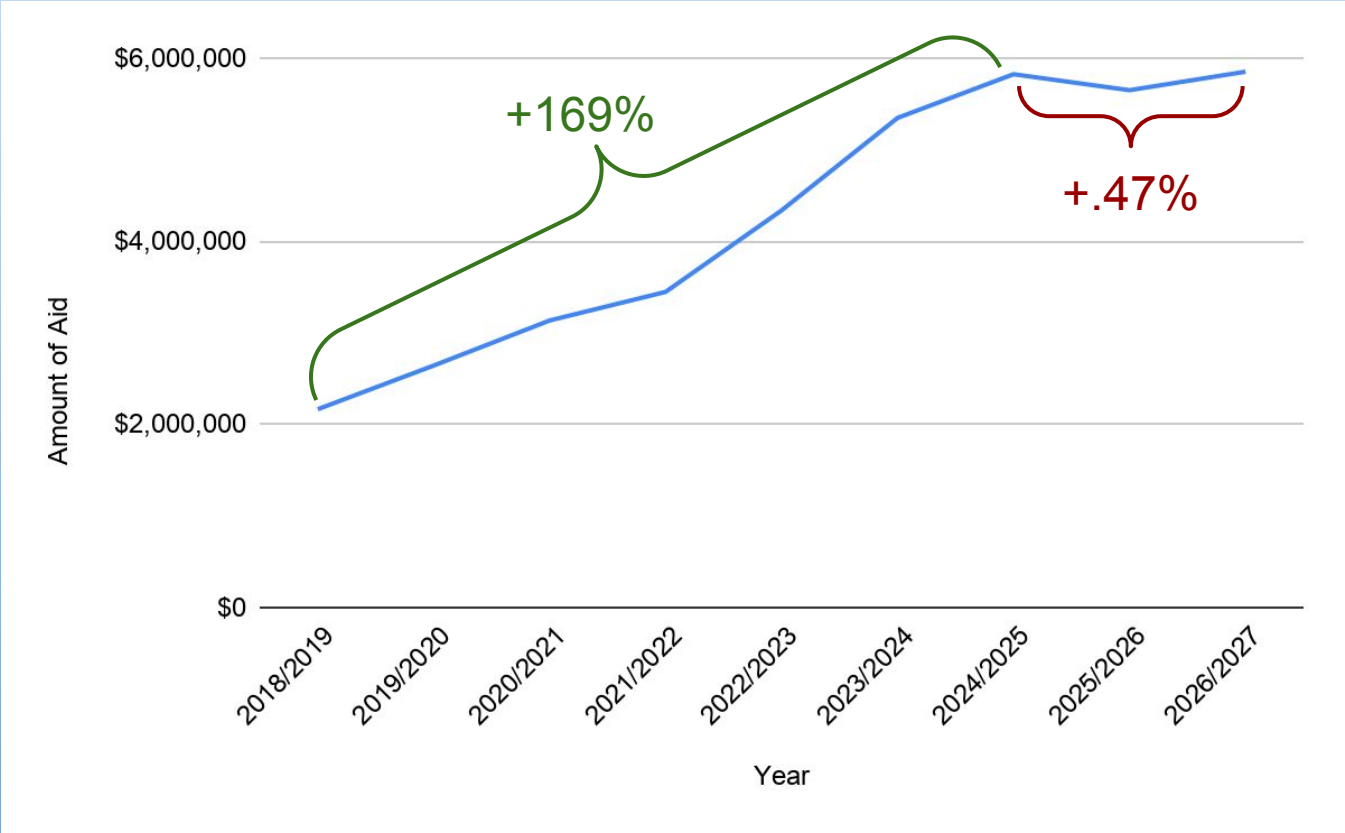
Source: U.S. Bureau of Labor Statistics

Context: Annual C.P.I. by Year



1. Federal Covid-relief funding (2020 - 2024)
2. S-2691(2021 & 2022)
–Excess surplus from 2% to 4%
3. S-2 (2018 - 2025)
–Return to S.F.R.A.

Categorical Aid to PPS over S-2 Implementation



Current Budget

- 2025/2026 Operating Budget is **\$111,384,212**
 - Tax Levy = \$90,524,554 (81.3%)
 - State Aid = \$8,041,033 (7.2%)
 - Tuition = \$4,930,215 (4.4%)
 - Fund Balance = \$3,893,695 (3.5%)
 - Private Contributions = \$2,482,272 (2.2%)

- Budget supports all existing programs PK-12

Tax Levy (81.3% of Current Budget)

- Current Tax Levy = \$90,524,554
- BOE may increase the tax levy by a maximum of 2%
- $\$90,524,554 \times 1.02 = \$92,335,045$
- There are four adjustments/waivers that the NJDOE determines for districts to exceed the 2% cap

Tax Levy (81.3% of Current Budget)

- There are four adjustments/waivers that the NJDOE determines for districts to exceed the 2% cap.
 - “Banked Cap”
 - Whenever a BOE does not utilize its full taxing authority (prior year tax levy x 1.02 + the amount of any adjustment), the equivalent of that taxing authority may be “banked” or extended for use up to three more budget years. If not used, it expires. **PPS has \$13,600 of Banked Cap available.**
 - Enrollment growth, as determined by the DOE
 - State-driven pension liability increases, as determined by the DOE
 - Health insurance increases less than or equal to the annual increase of the state’s health plan, as determined by the DOE

Health Insurance

- New Jersey's School Employee Health Benefits Program (SEHBP)
 - Total premium increase = 31.9% for 2026
 - Includes an Rx increase of 58.6%
- Princeton Public Schools
 - Total premium increase, with Rx, of 15.2%

Comparison and Context

- NJEHP: Family with Rx (standard plan for all educators in NJ)
 - SEHBP = \$51,396
 - Princeton = \$45,376
 - SEHBP Direct 10 = \$74,616

Health Insurance

- 2025/2026 Budgeted Amount = \$15,502,000
- 2026/2027 Budgeted Amount = \$17,889,000

- Tax Levy 2026/2027
 - $\$90,524,554 \times 1.02 = \$92,335,045 + \$2,095,454 + \$13,600$ (Banked Cap) = **\$94,444,099**

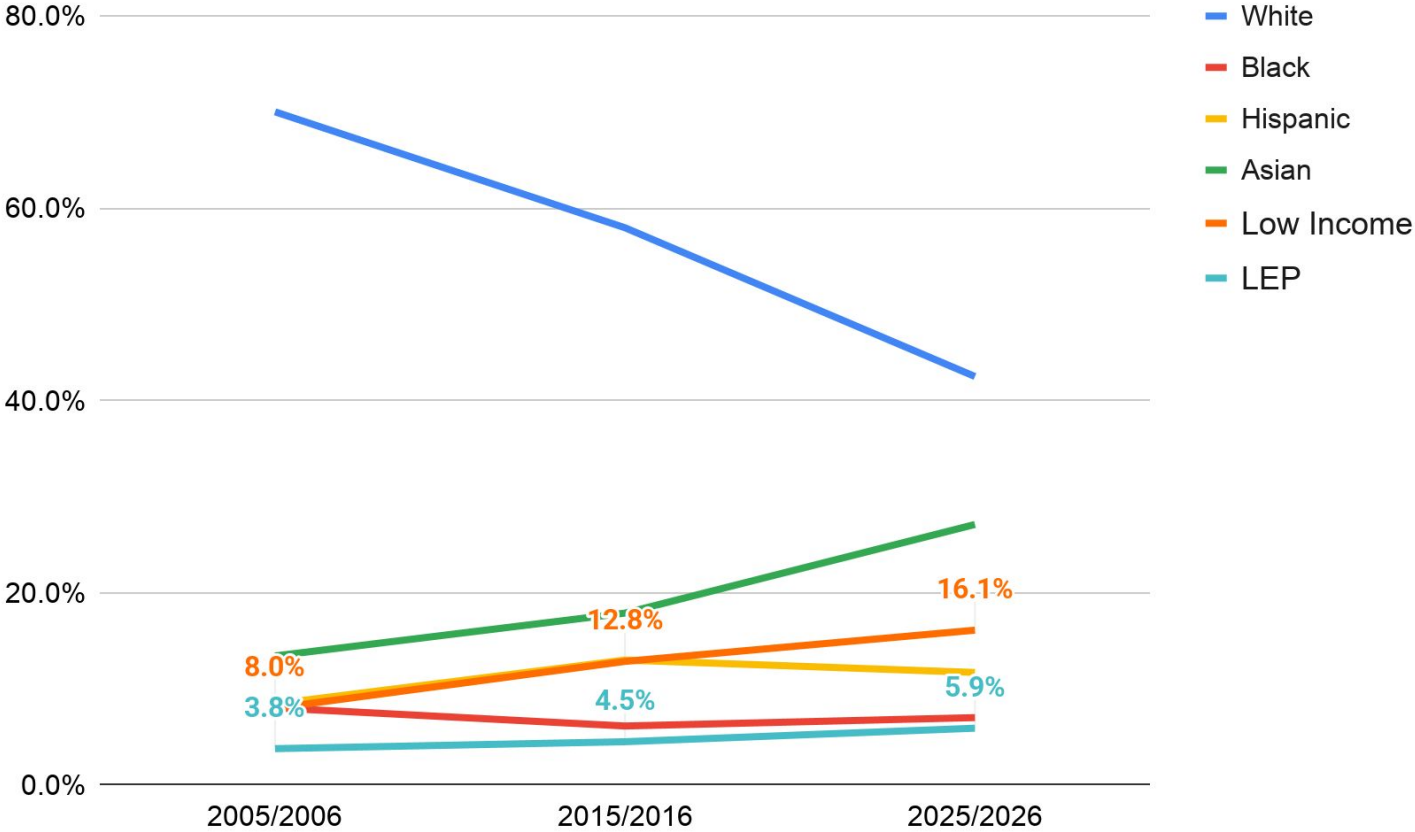
State Aid

- The current state funding model is called S.F.R.A.
 - Established in 2008
 - Pre-dates (and never contemplated!) the current 2% tax levy cap
 - Built on three concepts:
 1. Adequacy
 2. Local Fair Share
 3. Equalization

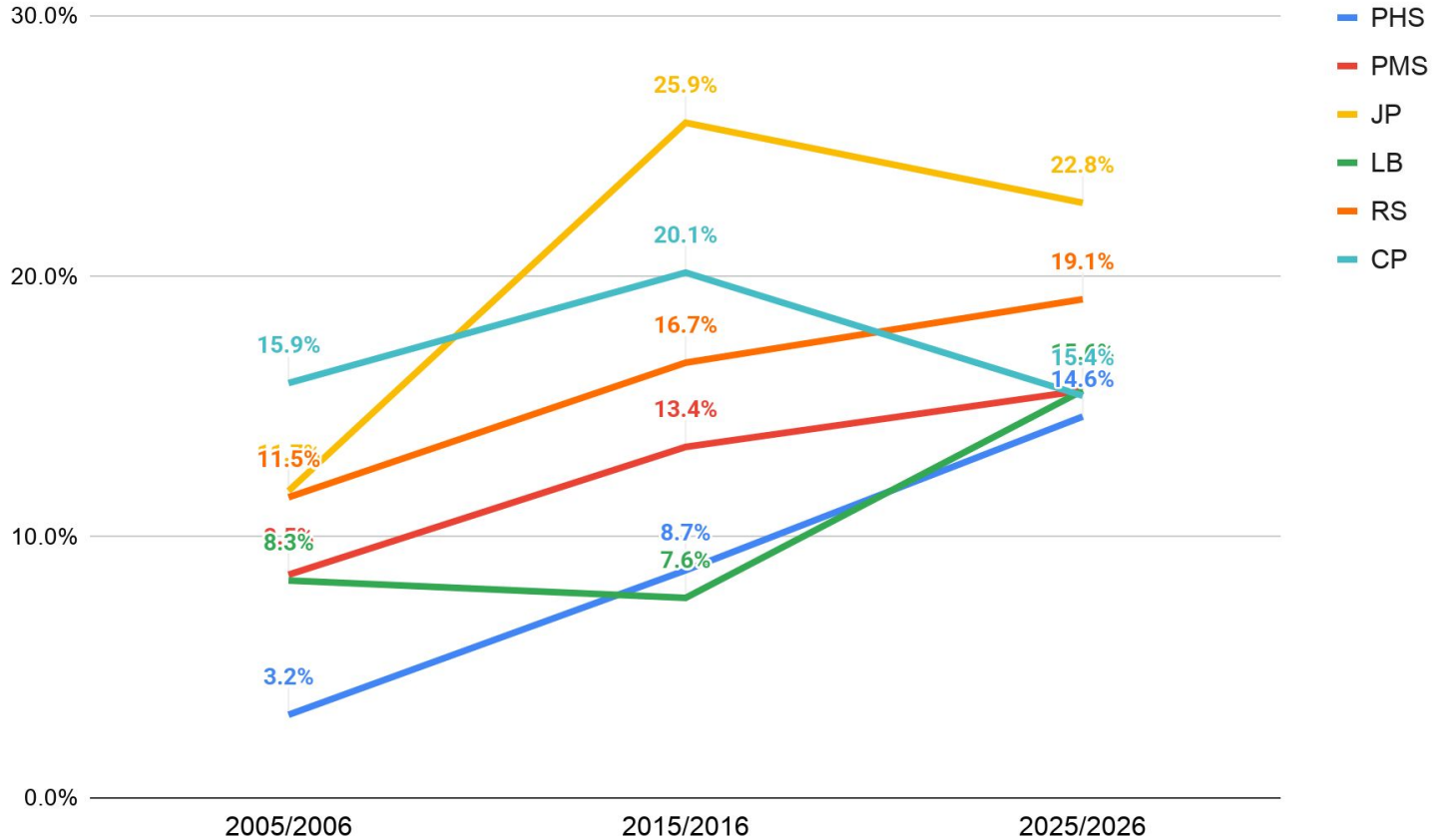
1. Adequacy

- The NJDOE determines every district's Adequacy Budget
- Adequacy Budget = the cost to educate every pupil in the district to meet the DOE's minimum requirements and standards
- Adequacy is determined by:
 - Total student enrollment
 - Grade level composition
 - Elementary student = 1.0
 - Middle school student = 1.04
 - High school student = 1.15
 - Composition of student body
 - Economically Disadvantaged = +.47 or .57
 - English-Language Learning = +.5
 - Special Education = different calculation, based on 15.9% of total enrollment

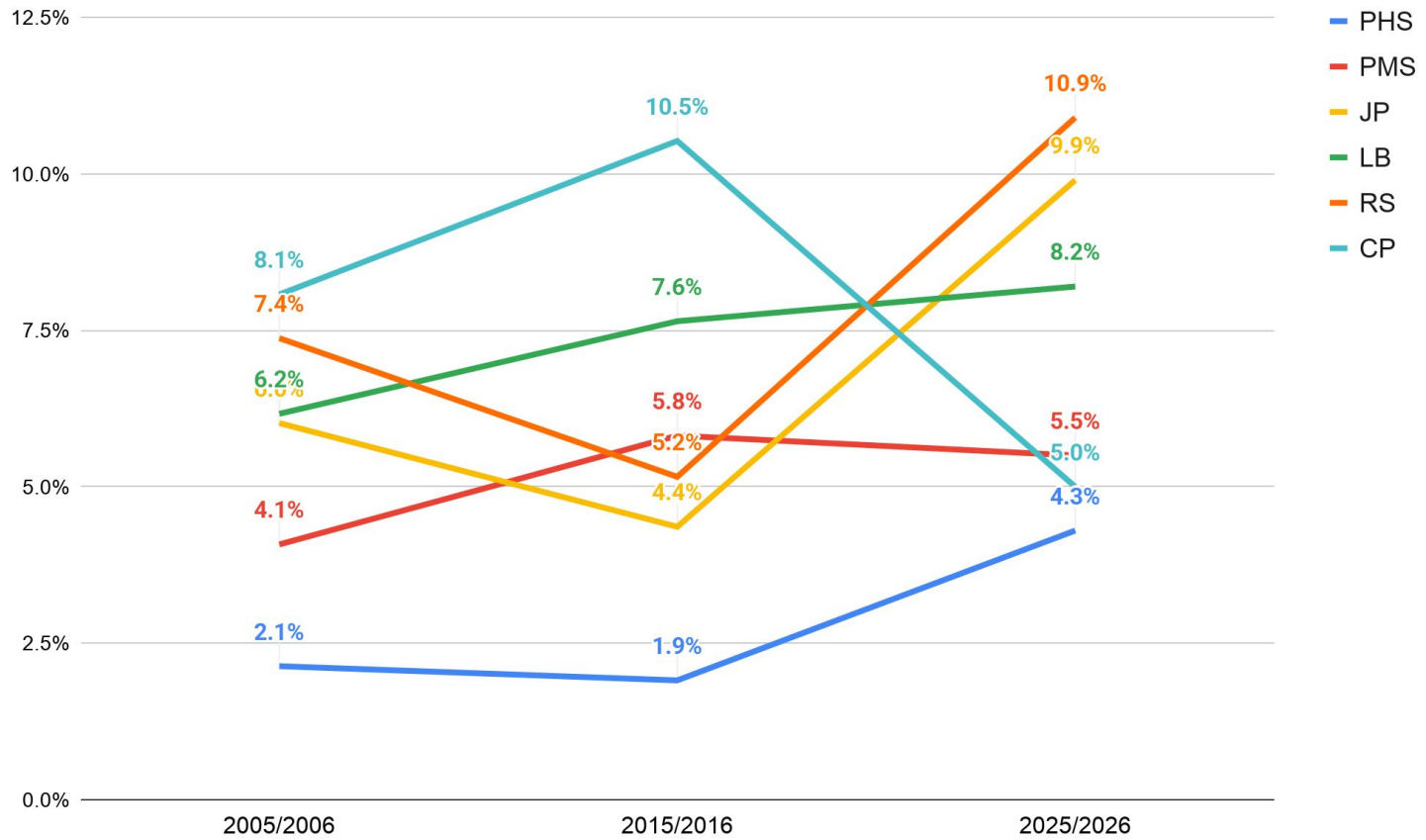
District Demographics



% Low Income by School



MLL Enrollment by School



PPS Adequacy Budget = \$77,096,355

2. Local Fair Share

- The NJDOE determines every district's Local Fair Share
- Local Fair Share = the level of wealth in a community able to support the school district budget
- Local Fair Share is determined by:
 - Property Value (50%)
 - Income (50%)

2. Local Fair Share

- Princeton's Local Fair Share:
 - Property Value (50%)
 - 2025 = \$11,466,855,198
 - 2024 = \$10,735,521,273
 - 2023 = \$10,094,575,216
 - Income (50%)
 - 2023 = \$3,580,483,675
 - 2022 = \$3,922,908,768
 - 2021 = \$3,511,647,822

PPS Local Fair Share = \$176,304,948

3. Equalization

- S.F.R.A. covers the difference between a district's adequacy budget and the district's local fair share—assuming the adequacy budget is more than the district's local fair share—to **equalize** the resources districts have to meet the DOE's minimum requirements and state standards.
 - Approximately half of districts received Equalization Aid in 2025/2026 and half did not.
 - Princeton does not because

A Local Fair Share of **\$176,304,948** is greater than an Adequacy calculation of **\$77,096,355**

Beyond Equalization Aid

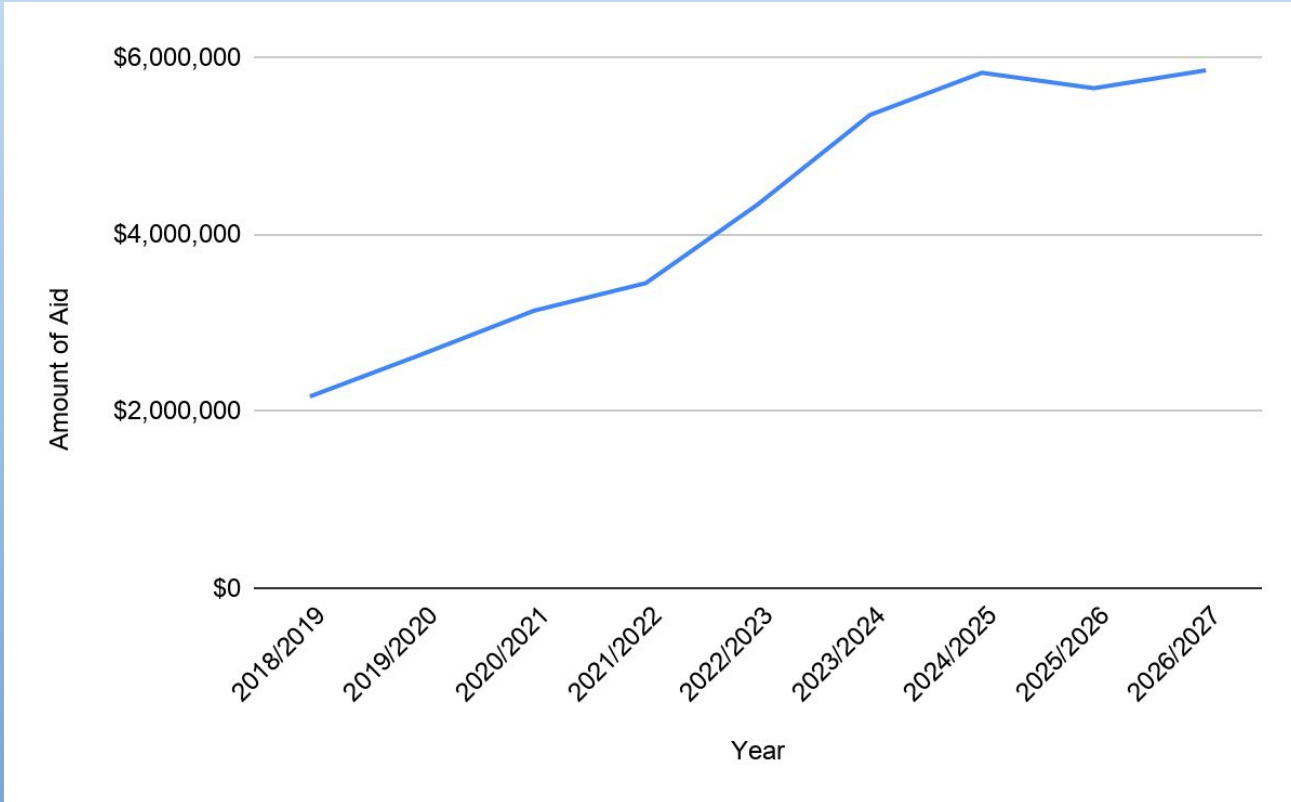
- S.F.R.A. includes another set of aid that flows to ALL school districts, regardless of whether they qualify for Equalization Aid.
- This is called Categorical Aid:
 - Special Education
 - Transportation
 - Security

Categorical Aid–Past Three Years

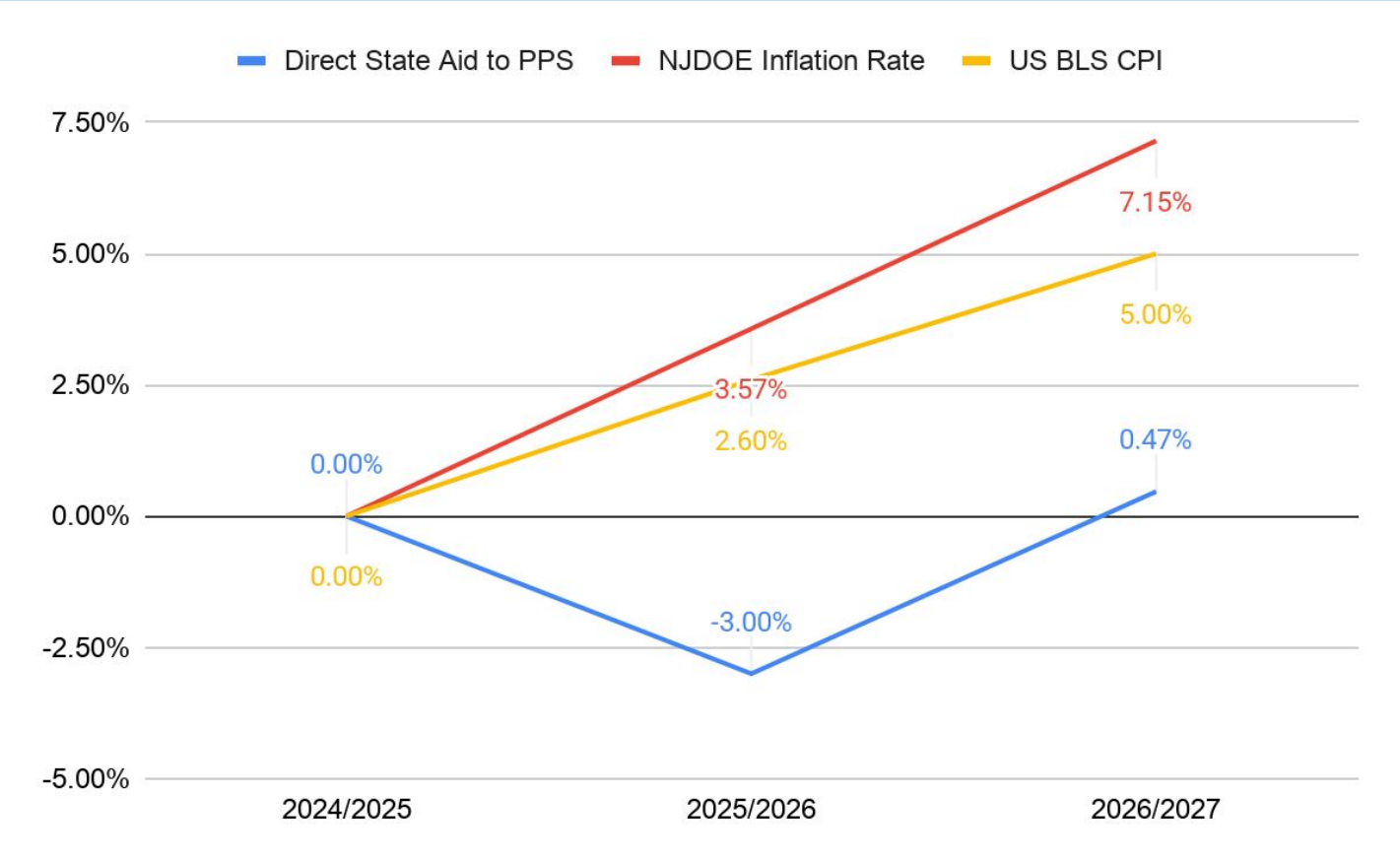
Category	2024/2025	2025/2026	2026/2027
Security	\$434,348	\$613,524	\$646,000
Transportation	\$979,814	\$1,001,285	\$1,059,262
Special Education	\$4,411,650	\$4,036,224	\$4,148,120
TOTAL	\$5,825,812	\$5,651,033	\$5,853,382
% Change		-3.00%	3.58%

- U.S. B.L.S. CPI = 2.6% in 2025 and 2.4% in 2026
- NJDOE CPI = 3.57% in 2025/26 and 3.58% in 2026/27

Categorical Aid to PPS over S-2



% Change past Two Years



Other Revenue in Operating Budget

- Tuition
 - About flat at \$4,900,000
- Private Contributions
 - Slight increase at \$2,581,563
- PILOT
 - \$300,000
 - Negotiated with the Township last spring

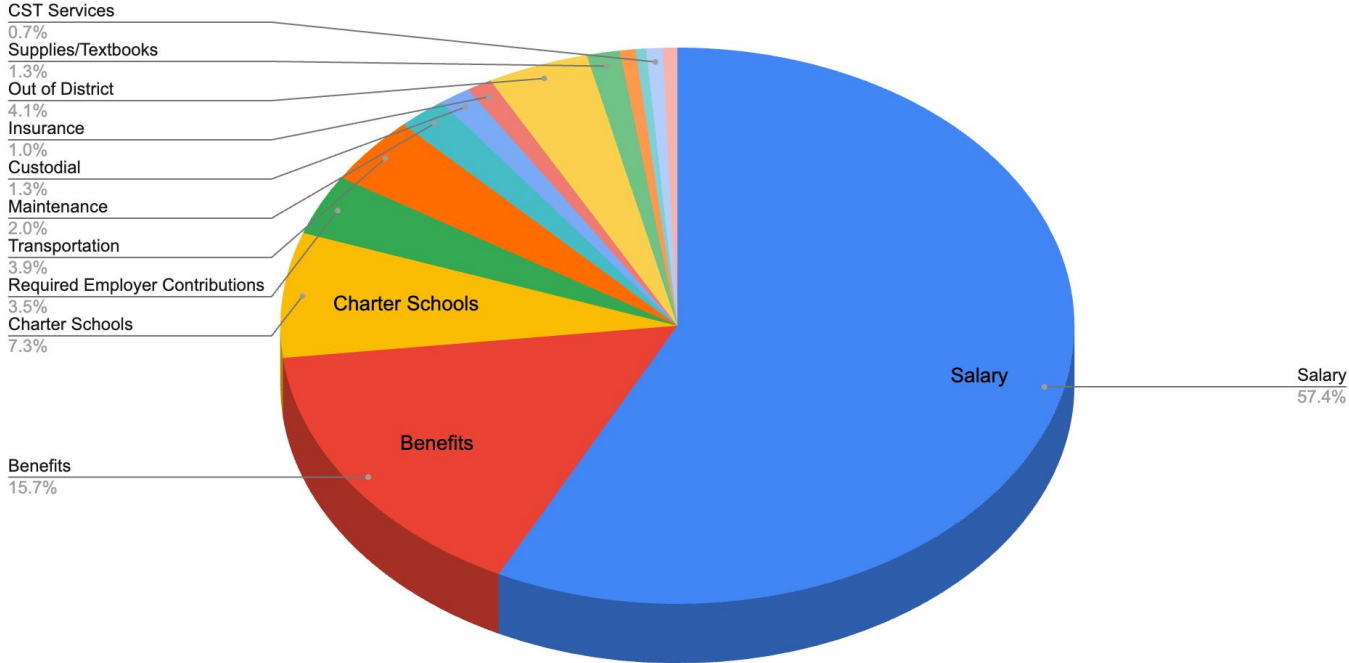
Fund Balance

- Fund balance is the total amount of unexpended budgeted funds remaining at the close of the fiscal year.
- The amount of fund balance available to be assigned as revenue within the operating budget is determined by the prior year audit.
- **\$3,893,695** = Fund balance determined in audit at close of 2024 fiscal year.
- **\$2,695,848** = Fund balance determined in audit at close of 2025 fiscal year.

Expenses

Spending Category	Amount		Spending Category	Amount
Athletics	\$1,839,354		HR/Board Office	\$1,640,795
Attendance and Social Work Services	\$279,109		Improvement of Instruction Services	\$368,100
Benefits	\$22,955,824		General Instruction	\$30,276,657
Care and Upkeep of Grounds	\$400,236		Maintenance of Buildings	\$5,810,473
Charter School Payment	\$8,427,045		Out of District Tuitions	\$3,894,500
Child Study Team Services	\$3,979,848		Security	\$601,697
Co-curricular	\$445,682		Special Services Instruction	\$12,736,174
County Vo-tech	\$85,000		Speech OT PT Services	\$1,627,045
Custodial Services	\$1,966,023		Staff Training / Professional Development	\$1,296,341
Debt Service Assessment	\$239,765		Student Transportation Services	\$7,003,823
Educational Media Services (Library)	\$1,110,579		Support Services - Business	\$2,757,906
Guidance Services	\$2,360,248		Support Services - School Administration	\$1,228,666
Health Services	\$1,232,642		Technology	\$1,459,466
TOTAL:				\$116,022,998

Overview of Expense by Category



Cost Drivers Beyond Health Benefits

- Salaries (~3%)
- Out-of-District Tuitions (5.3%)
- Maintenance (4.9%)
- State-determined CPI for transportation contracts (3.58%)

Recent Developments for 2026/2027

New Costs

- Municipal Sewer Charge = \$100K
- Princeton Charter School Increase = \$320,974
- Other Charter School Increase = \$104,069
- **Total Increase = \$525,043**

Recent Developments for 2026/2027

New Revenue

- PILOT Agreement = \$300K
- Increase in State Aid = \$202,349

- **Total Increase = \$502,349**

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	2025-2026	2026-2027		
Tax Levy	\$90,524,554	\$94,444,099	Inc. Adjustments	
Total Tuition	\$4,930,215	\$5,154,410	Cranbury and Staff Tuition	
PILOT Revenue	\$0	\$300,000		
Rent	\$0	\$200,000		
Other Local Government Units	\$168,000	\$168,000	Hazardous Routes	
Private Contributions	\$2,482,272	\$2,581,563	Princeton U	
Misc Revenue	\$1,332,000	\$1,500,000	NJARM and Other Accounts	
Interest Maintenance Reserve	\$2,000	\$2,000		
Interest Capital Reserve	\$5,000	\$5,000		
Subtotal	\$99,444,041	\$104,355,072		
Transportation Aid	\$1,001,285	\$1,059,262		
Extraordinary Aid	\$2,300,000	\$2,300,000		
SE Aid	\$4,036,224	\$4,148,120		
Security Aid	\$613,524	\$646,000		
Other State Aid	\$90,000	\$70,000		
Subtotal	\$8,041,033	\$8,223,382		
Fund Balance	\$3,893,695	\$2,695,848		
Medicaid (SEMI)	\$5,443	\$5,400		
Capital Reserve	\$0	\$0		
Subtotal	\$3,899,138	\$2,701,248		
		Revenues	Expenditures	Difference
Total Operating Budget	\$111,384,212	\$115,279,702	\$116,022,998	-\$743,296

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Revenue Included

- \$900K in interest being earned as a result of referenda balances (2022, 2023, 2025).
- This will dwindle over the next few years and ultimately vanish.

Tax Impact

	2024-2025	2025-2026*	2026-2027 (est.)
School Tax Rate per \$100,000	\$1,328.02	\$1,366.50	\$1,422.20

*2025/2026 increase includes debt service from 2025 referendum

Next Steps

- 3/17: Adoption of Preliminary Budget
- 3/18: Submittal to County DOE for review

Next Steps

- Determination and finalization of measures to cover the \$743,296 deficit
 - Reductions
 - Avoid impacts to programming and students to the greatest extent possible
 - Attrition/reorganization
 - Memberships/subscriptions/services
 - Revenues
 - Identify possible new revenue streams or increases to existing revenue streams
 - Activity and use fees
- 4/28: Adoption of final budget

Looking Further Ahead

- Expenses will continue to outrun revenues in the current construct.
- It will become necessary to reduce expenses or increase revenue or do both in order to balance the budget if the current construct persists.
- It will become necessary to increase revenue if the Board and community desire to maintain the current level of programming and services.

Comments/Questions?