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Updated July 29, 2024

**Easton's Structural Revenue Deficit
Causes and Consequences of the Longstanding Structural
Revenue Deficit**

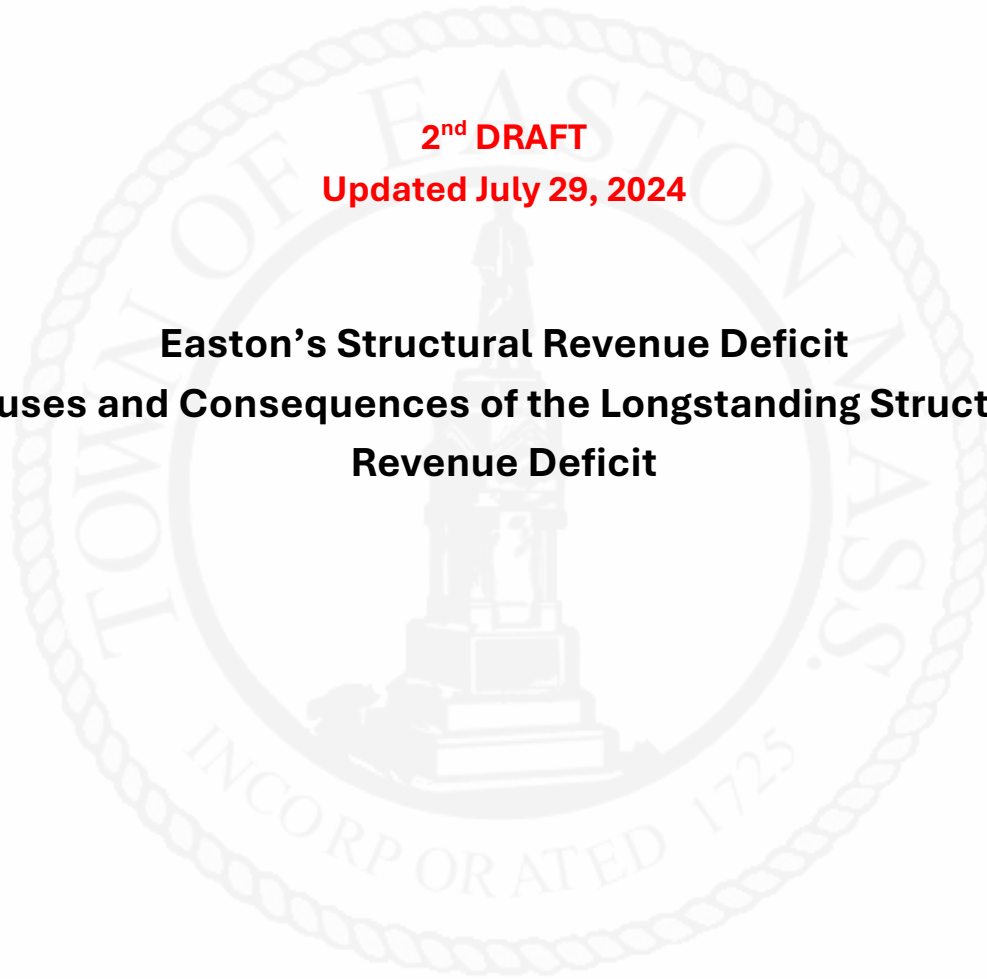


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Purpose: This report organizes information relevant to the Town of Easton’s longstanding structural revenue deficit into a single reference guide. Prior to its drafting, this information has been publicly available yet scattered across years of budget and analytical reports, usually in a non-comprehensive manner. By collecting this information in a single report, we strive to accomplish the following:

1. Document and discuss the causes and consequences of Easton’s longstanding structural revenue deficit in a comprehensive report to maintain historical analyses performed over many years and to inform elected leadership, staff, and the public of this subject;
2. Create a living document, which can be easily updated over time as new information becomes available, eliminating the need for scouring dozens of reports over time to piece together a full picture, and;
3. Focus this information in a single subject-specific document. It can be used as appendices to Town and School budgets, as well as capital and strategic planning documents, thereby allowing those documents to focus on their narrative priorities and incorporate this critical information by reference (rather than double the length of the main content of what are already very lengthy reports).

Nearly all of the data in this report are public records easily accessible on the Town’s finance and budget webpage – [Easton Budget Finance Webpage](#) - or the Massachusetts Department of Revenue - [Municipal databank \(data analytics\) | Mass.gov](#). Where other sources are used, they are cited with footnotes.

As we head into FY25, part of a three to five-year transition from the COVID-19 budget era¹ to a new post-pandemic baseline, it is instructive to review actions we’ve taken to combat the Town’s longstanding structural revenue deficit and to weather the first four years of the pandemic economy.

Sincerely,
Connor Read
Town Administrator

Date of Original Publication: March 25, 2024
Updated: July 29, 2024

¹ This descriptor is imperfect – but it broadly is describing the fiscal years of FY20 – FY25 during which significant federal funds have been provided to municipalities and public schools (CARES, ESSER I – III, ARPA, etc.) and will then expire. These programs have dramatically impacted operating positions of local governments nationwide, and their conclusions will pose major challenges.

Author's note – July 29, 2024 - This document was originally published as a draft in March 2024 for the sake of timeliness anticipating a challenging FY25 budget process. That anticipation proved warranted, with voters at the Annual Town Meeting on May 20, 2024, amending the balanced FY25 budget to transfer additional one-time reserve funds to the Easton School budget. All FY25 budget figures throughout this report have been updated to reflect the final budget as amended and adopted by Town Meeting.

Town leadership proposed an additional amendment to the FY25 budget article, which voters approved, to establish a committee to analyze the Town's operating position and make comprehensive recommendations on promoting quality and sustainable public and educational services, rather than further exacerbating the structural revenue deficit with overreliance on one time reserve funds. That committee, Promoting a Sustainable Easton (PASE), has been seated and will begin its work shortly. Information on PASE can be found at www.easton.ma.us/pase.

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Section I - What is a Structural Revenue Deficit and Why Does Easton Have One?

Easton's operating budget has a structural revenue deficit. A structural revenue deficit is when recurring revenue growth is insufficient to meet expense growth over time. Easton's deficit is principally the result of cuts to state aid following the 2008 financial crisis, coupled with minimal growth since those cuts, attributable to Easton's designation as a "minimum aid" school district. This report explores state aid as well as other contributors to, and consequences of, this longstanding financial challenge.

1.1 - State Aid - Chapter 70 State Education Funding and Minimum Aid Districts

Cities and Towns in Massachusetts rely on a variety of revenue to meet their operating needs. The vast majority of which derive from:

1. Property Tax (local revenue)
2. State Aid (state revenue)
3. Local Receipts (local revenue)
4. Other Revenues and Reserves (varies)

In Easton, state aid is the second largest category of revenue. The largest revenue source, property tax, is limited in growth to 2 ½ percent plus new growth (i.e. new or improved property subject to taxation) per year. Communities cannot permanently increase revenue from this category beyond that threshold without a voter-approved operating override, which Easton has had only once in the 21st century (2007).² Significantly, this sole override was passed *before* the 2008 recession.

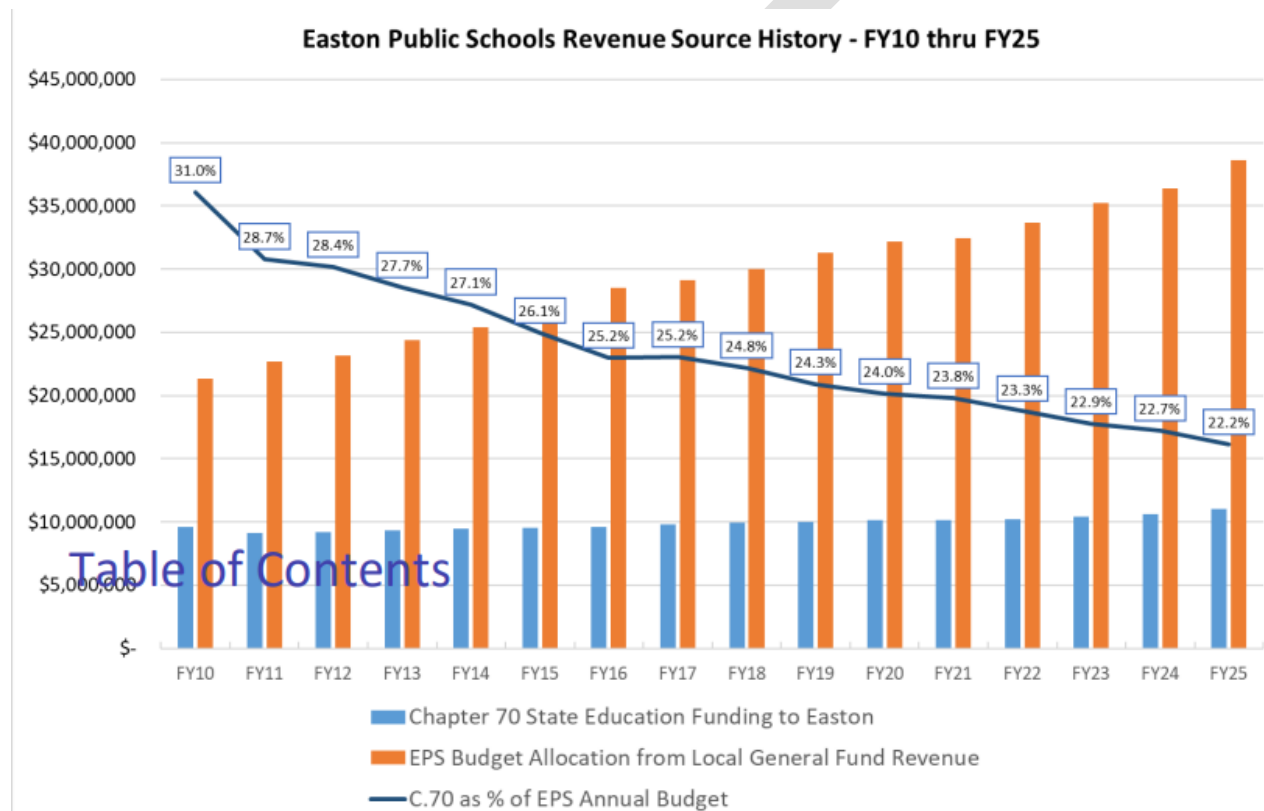
State aid contains a variety of accounts, principal among them are Chapter 70 education funding and Unrestricted General Government Aid (UGGA). State aid was cut significantly in the wake of the 2008 recession, wiping out some of the gains of Easton's 2007 property tax override. Since then, increases in state aid to the post-recession-reduced baseline have been marginal, nearly always below inflation, and often as little as 1-2%. Because of the marginal growth rates, it took until 2016 before total state aid in Easton recovered to even *nominal* 2008 levels. UGGA in FY25 has still not recovered to FY08 levels in nominal dollars.

Statewide, Chapter 70 education aid, even when adjusted for inflation, has been funded more robustly over time by the Commonwealth than UGGA. Unfortunately, the

² This is distinct from a debt exclusion override for a capital improvement, such as a school or fire station. These overrides of the levy allow increases tax revenue to pay the bonds associated with a capital asset, and the tax increase is eliminated once the bond is paid. Easton voters have approved many debt exclusions. More information about Prop 2 ½ is available here. [Proposition 2½ and Tax Rate Process | Mass.gov](#)

improvements to Chapter 70 funding on the state level have not extended to Easton. This is because Easton Public Schools are considered a “minimum aid” district – meaning that whether the statewide Chapter 70 budget grows by 3 or 8 percent year over year, Easton is only entitled to the minimum increase by law, which is statutorily set at \$30 of new revenue per pupil, per year. This equates to about \$100,000 of new state revenue each year for a nearly \$50 million school operation – about 0.25%. Even before the pandemic era inflation, these increases were inadequate, but they are now functionally cuts to operating capacity.

The impact of this formula is displayed below:



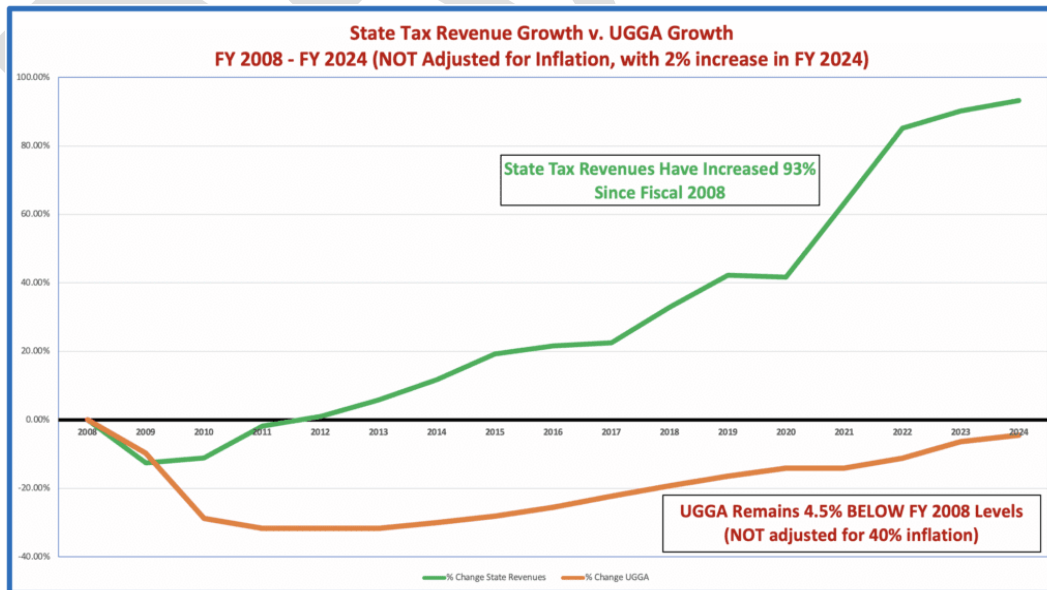
From FY10 through FY25, Chapter 70 state aid to Easton has grown only 15 percent – 1% per year. During the same time frame, cumulative inflation was 46 percent. This has the necessary effect of increasing reliance on local revenues (or grants) to offset the sub-inflation growth of state aid. In FY10, Chapter 70 covered 31% of the Easton Public Schools budget. Now, that figure is only 22% and is dropping with each successive year. To convey these percentages in dollars and cents - of the \$18.8M increase to the Easton Public School budget since FY10, only \$1.4M (7.5%) has been funded by Chapter 70 state aid, with the remaining \$17.3 M (92.5%) originating from other general fund revenues.

	FY10	FY25 (HWM)	Change	% (Cumulative FY10 - 25)
Total EPS General Fund Operating Budget	\$ 30,938,191	\$ 49,748,315	\$ 18,810,124	61%
Chapter 70 State Education Funding to Easton	\$9,598,361	\$ 11,009,437	\$ 1,411,076	15%
Allocation from Local General Fund	\$ 21,339,830	\$ 38,638,878	\$ 17,299,048	81%
C.70 as % of EPS Annual Budget	31.0%	22.1%		
Local GFR as % of EPS Annual Budget	69.0%	77.7%		

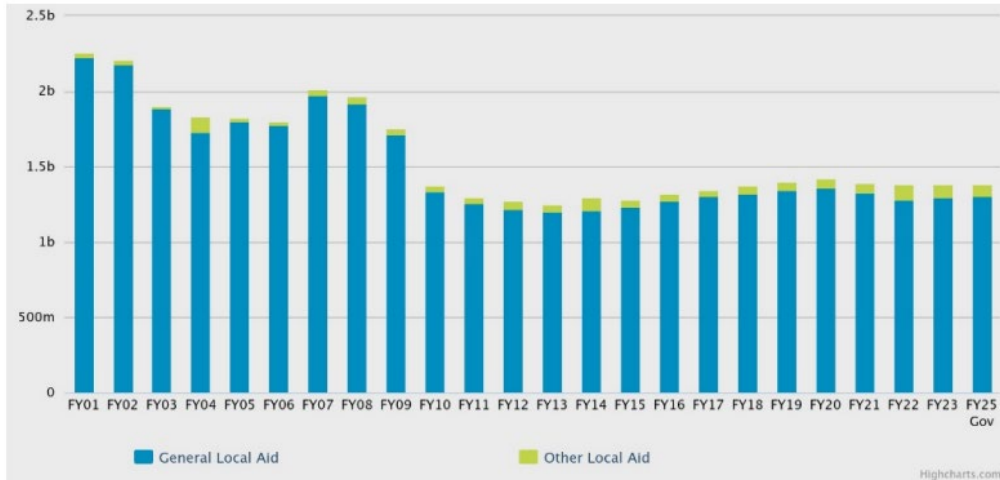
1.2 - Unrestricted General Government Aid for Cities and Towns

While Chapter 70 is the largest source of state aid to Easton, it is not the only one. The second largest state aid category is Unrestricted General Government Aid (UGGA). This category has also been underfunded for years, contributing to our structural deficit. Formerly known as “Lottery Aid” before the 2008 financial crisis, the account was renamed after it was slashed. Easton’s FY24 UGGA revenue of \$2,577,311 is still below FY08 Lottery Revenue from the state of \$2,725,472. During the same period, UGGA’s share of the Town’s general fund department budgets dropped from 22% in FY08 to only 13% today.

This is a statewide challenge as the following chart from the Massachusetts Municipal Association demonstrates:



The picture is even more bleak when accounting for inflation, which demonstrates that this vital category of revenue to Easton (and 350 other cities and towns) has lost nearly 40% of its value since FY01.

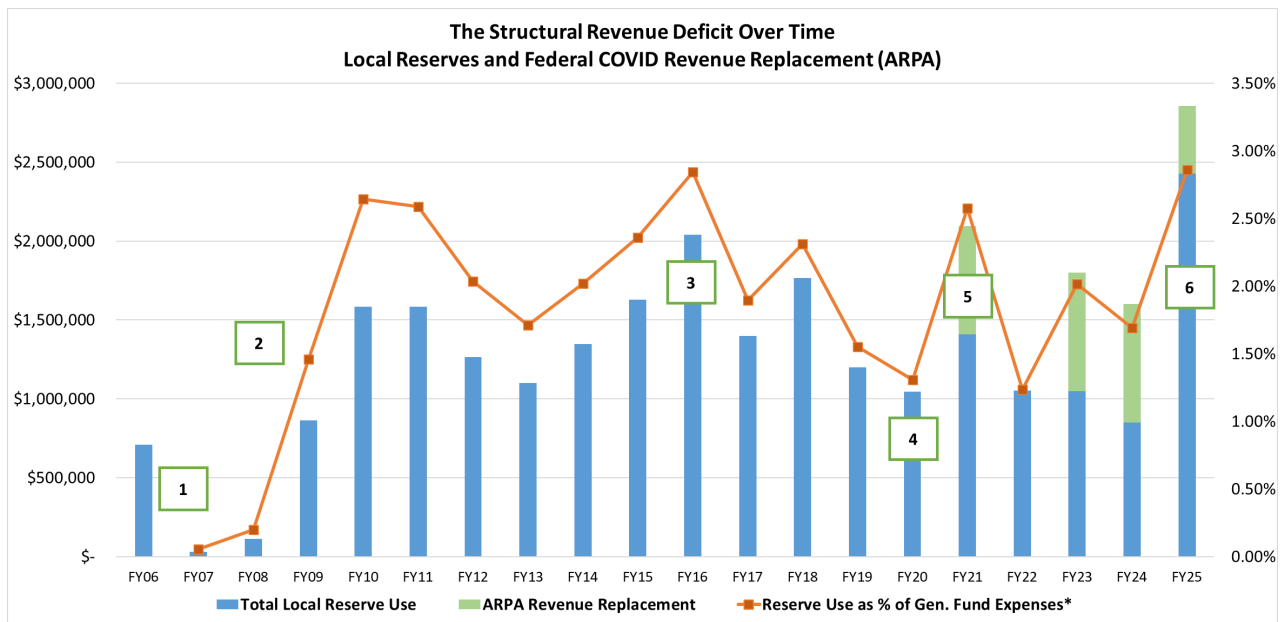


Local Govt. Aid Adjusted for CPI FY01-25 - Courtesy - [State Budget - Mass. Budget and Policy Center \(massbudget.org\)](#)

Understanding these state revenue dynamics, Easton’s town and school leadership routinely and persistently advocate to state lawmakers for improved funding formulas both individually on behalf of Easton and also through statewide advocacy associations such as the Massachusetts Municipal Association and the Massachusetts Association of School Superintendents. It is also important to recognize the Commonwealth’s legislative cycle, which runs two years from a given January following a state election year through the next year’s July 31. No reform which would meaningfully change Easton’s situation is pending action in the current session scheduled to end July 31, 2024, and the next legislative cycle won’t begin until January 2025 - four months before ATM 2025 where the community must address structural revenue challenges which have been building for nearly twenty years. Although the Town cannot forecast legislative action, it is unlikely that any chapter 70 or UGGA reforms sufficient to address Easton’s state revenue deficit will be enacted by FY26.

1.3 - The Structural Revenue Deficit Over Time

The state revenue dynamics explored above have been a constant in Easton’s budgeting for nearly two decades. These baseline challenges were also impacted – positively and negatively – by external factors enumerated below. The graph below shows the total local reserves (free cash and/or stabilization funds) used on an annual basis to close the structural revenue deficit in real dollars as well as a percentage of total operations.



1. **The Last Successful Operational Override (FY07)** – The \$3.4 million override allowed the Town to fully fund operations in FY07 and FY08 with fractional use of free cash. In those two years, total reserve use was \$30,000 and \$111,174, respectively, equal to 0.06 and 0.2% of the operating position. Prior to 2006, the last override was in 1991.³
2. **The 2008 Recession and State Aid Cuts** – the global financial crisis resulted in draconian cuts to state aid to cities and towns around Massachusetts. The severe cuts to state aid in Easton wiped out much of the progress made in the override passed only two years prior, re-opening a structural revenue deficit we’ve grappled with ever since.
3. **The Failed 2016 Operational Override and Conservative Budget Policy Adoption (FY16)** – a decade following the 2006 override during which state revenues were slashed, local receipts plummeted, and new growth slowed to a crawl, voters rejected a \$4.4 million override to sustain town and school operations. Local reserve use during that fiscal year hit a high of \$2,040,566 representing 2.84% of the operating budget. The Town’s stabilization fund was at a balance of only \$1,590,000. The Town adopted a series of financial policies to limit the use of reserves in the operating budget and build reserve capacity. Disciplined adherence to these policies allowed the Town to dramatically improve its reserve fund balances – absent which the FY25 budget would’ve been substantially bleaker and nearly certainly forced layoffs and cuts.

³ See [Prop 2.5 Override Underride Votes \(state.ma.us\)](https://www.state.ma.us/prop/2.5-override-underride-votes)

4. **Gradually Shrinking the Structural Revenue Deficit before the Pandemic (FY20)** – by FY20, the Town had dramatically reduced its use of local reserves to fund the budget in real and proportional dollars. After peaking with over \$2 million in reserve spending to balance the FY16 budget, only four years later the Town had cut that in half to \$1 million, the lowest since FY09. From FY16 to FY20, the percentage of the budget funded by reserves dropped from 2.84% to 1.31% while increasing stabilization fund balance to \$2.8 million. This was done primarily through austere budgeting, where many town and school operational needs were left unfunded, and other recurring capital needs like road funding were reduced.
5. **The COVID-19 Pandemic (FY21)** – the pandemic wrought substantial economic hardship on municipal and school budgets. Thankfully, the United States, recognizing the draconian cuts to state and local governments borne out of the 2008 recession, included in the American Rescue Plan Act (ARPA) \$350 billion of State and Local Fiscal Recovery Funds. This program included revenue replacement funds, shown in the graph in green, to offset revenue shortfalls in various local accounts attributable to the pandemic and allowed Easton to reduce (although not avoid) layoffs and service cuts in FY21. It also reduced our reliance on local reserves. ARPA Revenue replacement funds expire after FY25.
6. **Post-COVID inflation & Expiration of ARPA and ESSER (FY25)** – extraordinary cost pressures in the areas of health care, school transportation, and materials pushed Easton’s operating budget growth further beyond its structural revenue growth. Balancing the budget necessitated a new high mark in reserve use at \$2.8 million or 2.86% of general fund operations – commensurate with the proportional reserve use of 2.84% in FY16 leading up to the Town’s last attempted (and failed) operating override and years of austere budgets. FY25 is the first year since the Town adopted fund balance and financial management policies where meaningful stabilization fund drawdowns occurred, after building its balance to \$7 million.

Section 2 - What Have Our Priorities Been, Given the Structural Revenue Deficit?

In light of the significant challenge the structural revenue deficit places on our operating position, the Town and Schools have for more than a decade pursued a thus-far successful strategy to stave off the necessity of an operational override OR substantial public service reductions through a combination of:

1. Winning grants and incentivizing new growth
2. Reorganizing / regionalizing services to reduce costs
3. Healthcare reform to reduce expense growth
4. Energy generation and efficiency to reduce costs
5. Building our reserve balances (stabilization fund and free cash) as a hedge against the deficit
6. Negotiating sustainable collective bargaining agreements with our labor union partners
7. Providing direct financial assistance to the community

Taken collectively, these strategies have enabled Easton to deliver a high quality of educational and public services despite a significant state aid deficit and no operational override since 2007 – before two major recessions in 2008 and 2020. Some of these efforts are noted below.

2.1 - Winning Grants and Incentivizing New Growth

Easton's structural revenue deficit challenges operating positions, but also cascades into a suboptimal capital investment capacity. This in turn increases the importance of aggressive grant writing and management to launch infrastructure repairs and improvements necessary to maintain a strong and growing property tax base and drive the local economy.⁴

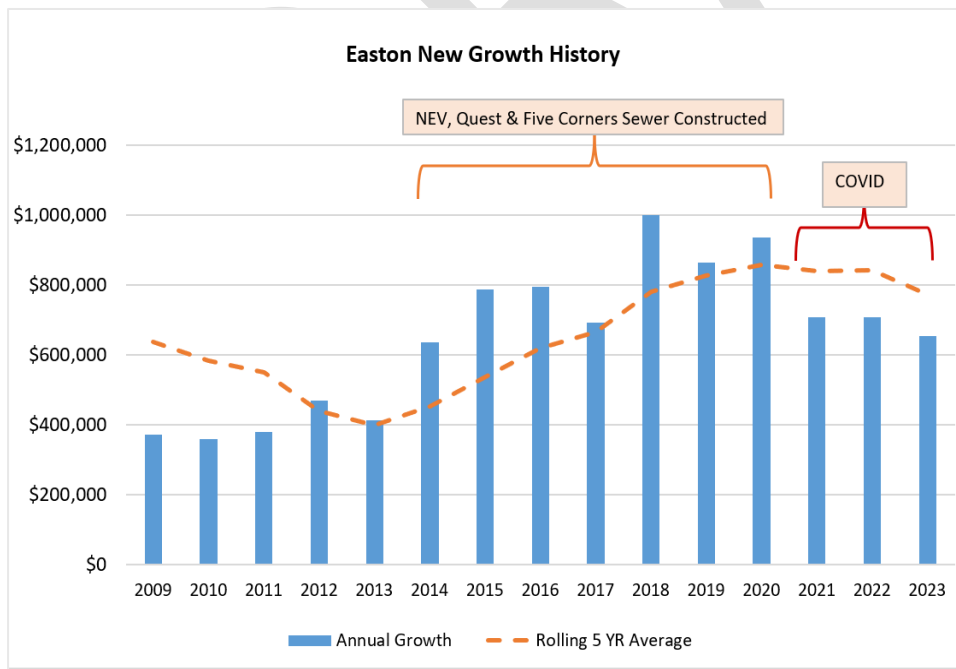
Whether building new sewers, improving multimodal transportation, or investing in state-of-the-art education facilities, all of these investments keep Easton strong for its current residents and businesses while making it attractive for new community members thereby promoting strong property values. **In the previous five years, Easton has won nearly \$60 million in competitive state and federal infrastructure and facilities capital grants.**

Some key examples include:

⁴ Because Prop 2 ½ doesn't allow any increase in tax levy beyond 2.5% annually except for New Growth – the incentivization of growth is critical to expand the tax base over time absent regular operating overrides.

- Blanche A. Ames Elementary School – Completed on-time and millions under budget, despite the pandemic. The project was funded by more than \$35M in state grant dollars.
- Five Corners Sewer – Completed in 2019, Easton’s largest-ever infrastructure project was financed by an innovative package blending traditional betterments with state grants (MassWorks, Housing Choice), incremental tax financing, and millions in mitigation support from Avalon Bay.
- Depot Street TIP – After nearly a decade of local efforts to advance design and planning, state and federal dollars have paid the entire \$12M construction cost of this transformative road improvement bringing sidewalks and drainage from Rt. 138 to Newell Circle.
- PFAS Treatment Plants – Easton is a leader in the Commonwealth in the response and mitigation to PFAS contamination in public water supplies, and treatment for Easton is complete thanks in-part to a \$2M grant from state funds led by former Representative and current US Ambassador Claire Cronin.
- SEMRECC at High Rock – Easton is one of four towns to benefit from the construction of the \$10 million regional 911 communications center located at High Rock in Foxborough – funded entirely through state 911 grant funds and zero local tax dollars.

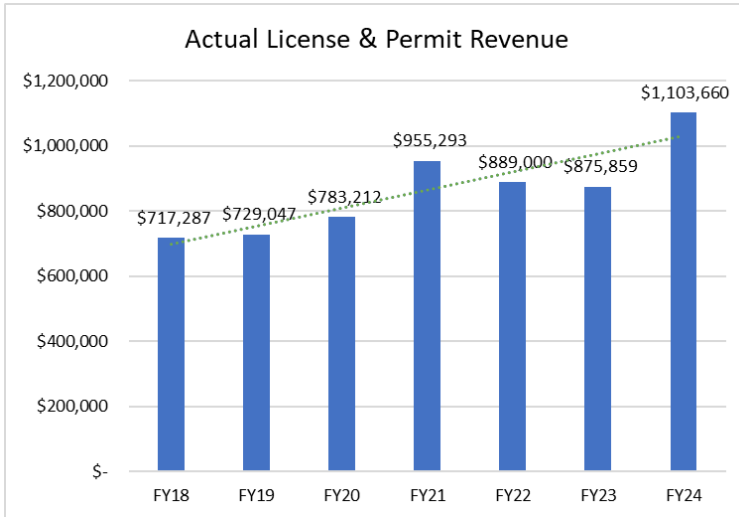
The impacts of these efforts can be seen in our new growth, local permit revenues, and property values:



New Growth is an essential component of Easton’s revenue. New Growth is any new, taxable property constructed or improved during a year.

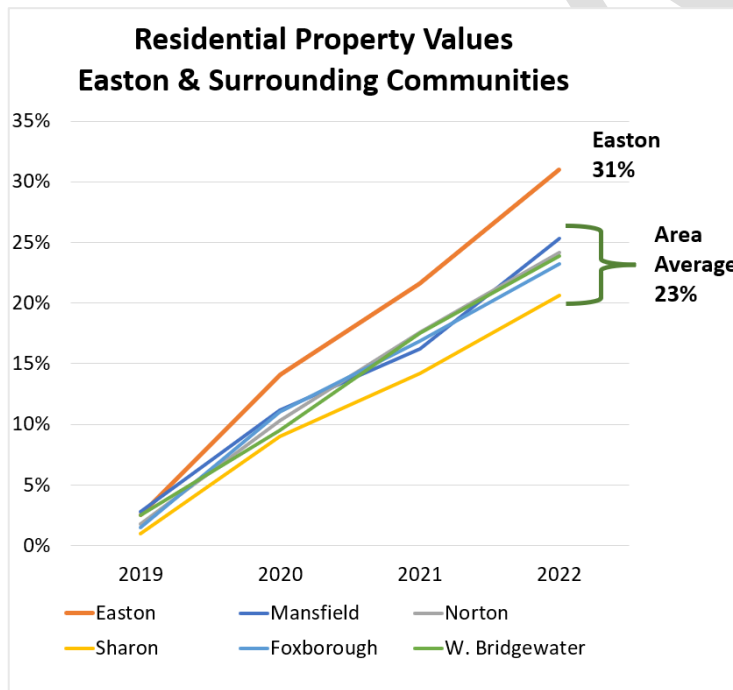
In the wake of the 2008 recession and prior to the construction of any public sewer, Easton’s annual New Growth was typically around \$400,000.

Easton constructed its first three sewer districts beginning in 2014 and concluding in 2020. Growth peaked in FY18 -20, reflecting these infrastructure investments and key housing developments like Avalon Easton, which contributed to New Growth surpassing \$1 million in FY18.



Coupled with broader market trends, implementation of ePermitting and benchmarking of fees to area communities has contributed to healthy permitting revenue – with annual revenue growing 53% from FY18 to FY24.

Economists and business publications support the premise that public investments in infrastructure and services correlate to home value and economic growth. Easton’s experience appears to reflect this, with our private property value growth outpacing the region. Easton home values have increased the most among our neighbors from 2019 to 2022, up 31% or \$140K+.⁵



This was recognized by Boston Globe in 2022 identifying Easton as “one of the top communities to live south of Boston.”⁶

Continued incentivization of development via infill and redevelopment is essential as Easton moves forward.

⁵ Zillow Home Value Index at www.zillow.com/research/data/

⁶ [Top Spots to Live in Greater Boston in 2022 - The Boston Globe](#)

2.2 - Reorganizing / Regionalizing Services to Reduce Costs

Easton has prioritized reducing costs without cutting services and has done so with a variety of programs, most notable of which include the formation of the Southeastern Massachusetts Regional Emergency Communications Center (SEMRECC) and the Department of Health and Community Services.

- **SEMRECC** – Formed via an intermunicipal agreement in 2017 between Easton, Foxborough, Mansfield and Norton, SEMRECC is a four-town 911 district which brought improved facilities and services at less than half the annual operating cost of running a local dispatch department. **In each year since the inception of SEMRECC (FY22), the Town has avoided between \$450,000 – 600,000 in operating expenses, totaling a three-year operational savings of \$1.8M from FY22-24.**
- **Health and Community Services (HCS)** – the 2016 reorganization of four departments – Board of Health, Council on Aging, Recreation and Veterans Services – has improved collaboration across these four areas of focus while reducing total managerial headcount and prioritizing direct-service personnel. Doing so has made possible the establishment of the Fire Department / HCS collaboration of Community Paramedicine, as well as the Police / HCS civilian Mental Health Liaison. **Cost savings from this approach, coupled with grant management, have allowed improved services through FY24, at a lower cost than the FY16 pre-reorganization budget of \$1,086,544. Annual savings have ranged from \$74,000-200,000, with the cumulative operational savings since FY16 topping \$500,000.**

2.3 - Healthcare Reform to Reduce Expense Growth

To control long-term healthcare cost increases, Easton in 2016 switched to the Group Insurance Commission (GIC) health pool. This switch cut health care costs by \$335,000 in FY16 and has controlled costs in the long term.⁷ Easton coupled its transition to the GIC with the implementation of annual insurance incentive and opt-out plans, as well as risk management best practices for property, casualty and liability premiums, which save approx. \$100-150,000 annually.⁸

⁷ After a decade of strong performance, FY25 is the first year where GIC rate increases are a primary driver of our deficit.

⁸ Easton offers a “savings share” model for employees who switch from costlier plans to cost effective ones, still retaining a net operational spend reduction.

Since FY15, the last year pre-GIC, the health insurance budget for active and retiree town and school personnel has grown from \$7.658M to a FY24 budget of \$9.554M. This is a cumulative budget increase of \$1.896 million over nine years – equal to an annualized rate of increase of only 2.75% for a key driver of fixed-cost growth. This is a substantial outperformance of the market, which has seen premiums grow by 47% or an annualized rate of increase of 4.7% from 2013-2023.⁹

Were Easton’s health insurance budget growth to match the general market since FY15, the FY24 budget would be approximately \$10.874M – representing an annual cost avoidance of \$1,320,360 in FY24 alone and multiple millions in cumulative cost avoidance from FY15-24.

Even with the large increase in premiums in FY25 (7.82%), the long-term cost savings are still in the Town’s favor. If increases in the range of 7-10% continue in FY26 and beyond, rather than normalizing to the previous annualized rate of 2.75%, the structural revenue deficit will be substantially worsened.

2.4 - Energy Generation and Efficiency to Reduce Costs

Easton was one of the first Massachusetts Green Communities, which included a commitment to reduce municipal energy consumption by 20% to reduce our carbon footprint and cut costs. As part of our energy efficiency efforts, Easton has completed the following:

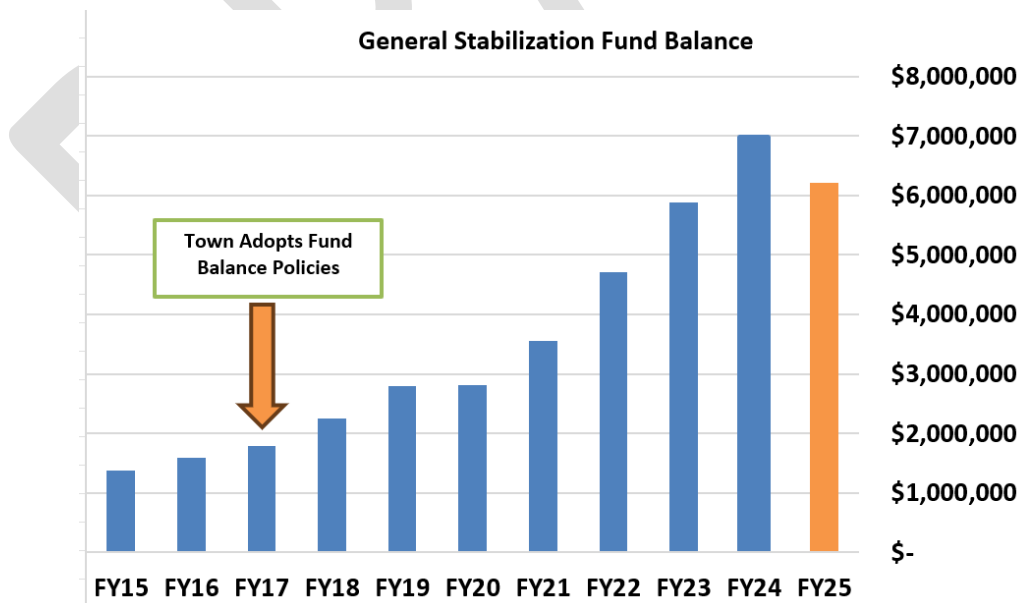
- LED Streetlight Conversion – in 2014 Easton DPW purchased nearly all streetlights in Easton from the utility companies and converted them to LEDs, saving approximately \$100,000 annually in the process.
- Solar and Power Purchase Agreements – Easton generates a majority of its municipal and school electricity via net metering / solar generation. This nets the Town annualized savings of approximately \$350,000.
- Future Public Buildings – Easton’s Blanche A. Ames Elementary School is LEED designed and substantially more efficient than the now-closed Moreau Hall, Center School and former Parkview. The forthcoming Police, Fire and Public Works facilities are currently planned to be fossil fuel free (excepting emergency power generator backup) and highly efficient running on geothermal and electric systems coupled with solar.

⁹ See [2023 Employer Health Benefits Survey | KFF](#)

2.5 - Building Our Reserve Position

As a minimum aid community, Easton struggles every year to adequately fund necessary operations due to marginal growth in state aid revenue. This reality necessitates careful management of reserve funds to offset revenue shortfalls. Easton has made exceptional progress in this area due to strong leadership across our elected boards and conservative budget management by departments. Some examples include:

- Adoption of fund balance and financial management policies in 2016/2017 to establish quantifiable and measurable reserve balance goals. Since adoption through FY24¹⁰, we have:
 - Reduced reliance on local reserves in operating budget by 50%
 - Transferred 25% of each year's free cash to the stabilization fund
 - **Grown the stabilization fund from \$1.6M to its current balance of \$6.7M**
 - Improved our reserve ratio (free cash and stabilization balances as a proportion of previous year's general fund expenditures) from 5.95% to 10.48%
 - Adopted various special-purpose reserve accounts (SPED reserve, IOD reserve) to create pressure release valves for unanticipated mid-year expenditure spikes.



¹⁰ The FY25 budget was a turning point for Easton where Stabilization began to be drawn down for the first time since policy adoption, and use of Free Cash, while still within the 50% policy guideline, was increased to its highest point in years.

In addition to building the stabilization fund, the Town and Schools have carefully managed revenue forecasts and expense projections to allow for healthy free cash certifications.

Finally, the Town has in the same period established a variety of special-purpose stabilization funds for capital projects and sewers which carry balances over \$1 million each.

2.6 - Negotiating Sustainable Collective Bargaining Agreements with Our Labor Union Partners

The overwhelming majority of departmental operating costs are salary for personnel. This makes sense, because local government and education are human services that require individuals and teams of professionals to plan, coordinate, and implement a broad variety of essential services spanning education, health, safety, development, and more. Particularly given the challenges of our structural revenue deficit, which necessitates leaner staff levels than would otherwise be sought, the quality of our professional personnel makes or breaks the level of service we can provide to the public. The Town and Schools work with more than a dozen collective bargaining units who represent the vast majority of the workforce to achieve fair and sustainable contracts which must delicately balance an attractive and competitive compensation package with long-term sustainability.

One of the main cost drivers of these contracts are typically cost of living adjustments (COLAs). It is important to recognize that the current window of FY23-25 includes COLAs of 2/2.5/2 percent (or minor variations of this) and the previous window of FY19-21 (FY22 was a one-year extension for many due to the pandemic) included many unions who took packages as conservative as 0/2/2 percent – or four percent wage adjustments over a period of three years. Many of those units voluntarily gave up their previously negotiated 2% COLA in FY21 when COVID hit to reduce operating costs and minimize layoffs of their colleagues. The Town and Schools are grateful for our labor partners who work hard in this area to keep Easton moving forward despite our significant revenue challenges.

The coming FY26-28 bargaining window and any agreed upon COLAs and other financial items will have a material impact on not only the competitiveness of our workforce, but the Town's structural revenue deficit and overall staff levels.

2.7 - Direct Financial Assistance to the Community

The consistent underfunding of state aid forces a growing reliance every year on property tax revenue to fill the gap. This results in the often-frustrating reality for our residents where local taxes increase while services tread water or even get cut. Within our statutory

limitations, we've worked hard to find ways to save money for the community and provide targeted relief to those in need. Some examples include:

- Community Choice Energy Aggregation – Easton purchased aggregated electricity supply on a fixed three-year contract in 2020. This program fixed supply costs at approximately \$0.10 per kWh. During the 3-year term through November 2023, ratepayers of Easton saw the following:
 - **\$11,423,000** – total savings on energy supply for all accounts (including businesses)
 - **\$9,300,007** – **total savings for residents**
 - **\$1,535.32** – average 3-year savings for **each** residential account in Easton
 - **\$1,201.28** – **actual 12-month savings for each residential property in Easton from October 2022 – October 2023**
 - **\$511.78** – normalized annual savings for **each** residential account in Easton
- ARPA Funding for Taxation Aid Committee (TAC) – the Town has earmarked \$250,000 in direct financial assistance for taxpayers in Easton through the TAC. This program has been extremely successful and distributed more than \$125,000 to homeowners to date.
- ARPA Funding for SERVE (Supporting Every Resident Veteran of Easton) Fund – building off the success of the TAC, Easton in 2023 established SERVE, which provides direct financial assistance to Easton veterans and their dependents in the form of direct payments of up to \$1,400 per household for food, fuel, utility and other costs using ARPA funding. We anticipate more than \$25,000 in disbursements in the coming months and have allocated \$100,000 to this program.
- Local Circuit Breaker Program – as part of the passage of a debt exclusion in fall 2023 to fund the necessary replacement of police, fire and public works facilities in Easton, Town Meeting also approved a special act for the state legislature to establish a local means-tested senior citizen tax break to defray the new exempt debt tax impacts for qualifying seniors. The program has been signed into law by the Governor, and is expected to take effect beginning in FY26 as the new exempt debt comes online.

Section 3 - Departmental Budgets and Operating Position Post-Covid

Following deep cuts to operating budgets in FY21 where dozens of positions were laid off or cut through attrition in the face of the pandemic recession, the Town and Schools worked diligently to cautiously rebuild service levels and operating positions while balancing our long-term fiscal position.¹¹ Thus far, this approach has been successful, with Easton making important progress in key areas including:

- Universal, tuition-free, Full-Day Kindergarten.
- Regionalization of 911 dispatch services for Easton, Foxboro, Mansfield and Norton has yielded improved services at significant cost savings to each community.¹²
- Public Works engineering and water treatment staff to manage growing capital portfolio including \$25M in water plants.
- Mobile Integrated Health (MIH – a/k/a Community Paramedicine) collaboration between Health and Fire/EMS to proactively program for community health needs.
- Fully funded In-District SPED Program.
- Expanded summer school and tutoring, along with grant funded interventionists to address learning loss.¹³

During this same time, Easton continued its priority of building its reserve fund balances anticipating the post-pandemic budget period, recognizing that this important, albeit modest, progress was a delicate balance. What could not have been predicted or fully accounted for within the constraints of our budgeting was the post-pandemic inflation and cumulative impact it would have over time on operating budgets and particularly fixed costs.

¹¹ Rebuilding from the FY21 COVID baseline has been very gradual to promote fiscal stability. It is worth stressing that Easton's Town Government staff levels in FY24 – 158 general fund FTE positions – are comparable to pre-pandemic levels in FY20 – 155.5 general fund FTE positions.

¹² FY21 was the final year of local Dispatch operations in Easton – those operating costs plus benefits / soft costs totaled nearly \$900,000 per year. FY20-23 SEMRECC annual costs totaled \$300,000, which will increase to \$450,000 in FY25 and ultimately \$600,000 in FY26.

¹³ These programs have been funded by ARPA consistent with the grant guidelines / focus on addressing pandemic learning loss.

Section 4 – FY2025 and Beyond

This report was initially inspired by the particularly challenging circumstances facing Easton in the preliminary FY2025 budget process in winter/spring 2024. The cumulative impact of pandemic inflation and rising fixed costs over which the Town has little to no immediate control, yet must pay, coupled with our historic structural revenue deficit yielded a preliminary budget deficit over \$3 million – roughly twice the size of the typical preliminary budget shortfall at this stage of the budget process. The scale of challenge we face begs the question “why?” which this report strives to answer.

This updated version reflects the now-adopted FY25 budget and the challenges the community will face in the coming years. Preliminary three-year forecasts for FY26-28, captioned below, estimate that even were Town and School operating budgets to revert to modest 3-4% growth rates from less inflationary years and rely on substantial reserve funds, we are still likely to see operating deficits.

TOWN OF EASTON
BUDGET PROJECTIONS FY2026 THROUGH FY2028

Category	FY2023 Budget	FY2024 Budget	FY2025 Prop Budget	Escalation	FY2026 ⁽¹⁾ Projected	FY2027 ⁽¹⁾ Projected	FY2028 ⁽¹⁾ Projected
Taxation							
Base Tax Levy	62,834,922	65,079,687	67,376,900	Base+2.5%	70,035,073	72,554,700	75,137,318
New Growth	654,548	653,874	950,000	Fixed	750,000	750,000	750,000
Exempt Debt	4,068,376	4,238,244	4,677,230	Level	4,677,230	4,677,230	4,677,230
Less DIF Transfer	(84,725)	(107,790)	(107,790)	Level	(107,790)	(107,790)	(107,790)
Net Tax Levy	67,473,121	69,864,015	72,896,340	-	75,354,513	77,874,140	80,456,758
State Aid							
Chapter 70 Education Aid	10,450,341	10,655,421	11,009,437	\$104.00 Per Pupil	11,363,453	11,717,469	12,071,485
Unrestricted Gen Gov Aid	2,536,723	2,617,898	2,644,077	1.00%	2,670,518	2,697,223	2,724,195
All Other State Aid	446,426	546,672	584,952	5.00%	614,200	644,910	677,156
Total State Aid	13,433,490	13,819,991	14,238,466		14,648,171	15,059,602	15,472,836
Local Receipts	7,532,527	7,883,749	8,310,536	4.00%	8,642,957	8,988,675	9,348,222
Reserves/Other Funds							
Free Cash	1,050,093	850,000	1,570,000	50% Cert	1,250,000	1,000,000	1,000,000
Stabilization Fund			756,556	Fixed	1,620,649	1,620,649	1,504,191
Ames Funds	375,000	400,000	628,000	Fixed	450,000	450,000	450,000
ARPA Funds	750,000	750,000	430,000	N/A	-	-	-
Opioid Settlement Funds			150,000	Level	150,000	150,000	150,000
Septic Loan Receipts	199,526	227,789	262,620	Level	262,620	262,620	262,620
Enterprise Indirect Costs	642,861	642,861	642,861	Level	642,861	642,861	642,861
Other		35,000	35,000	Fixed	35,000	35,000	35,000
Total Reserves/Other	3,017,480	2,905,650	4,475,037		4,411,130	4,161,130	4,044,672
Total Revenues	91,456,618	94,473,405	99,920,379		103,056,771	106,083,547	109,322,488
Fixed Costs							
Exempt Debt	4,068,376	4,238,244	4,677,230	Level	4,677,230	4,677,230	4,677,230
Nonexempt Debt	2,778,805	2,778,805	2,778,805	5.00%	2,917,745	3,063,632	3,216,814
EE Ben & Ins	16,599,117	17,381,314	18,573,785	5.00%	19,502,474	20,477,598	21,501,478
Regional/County Sch Asmt	1,587,871	1,378,017	1,689,896	5.00%	1,774,391	1,863,111	1,956,267
State & County Asmt	1,199,810	1,338,623	1,423,541	5.00%	1,494,718	1,569,454	1,647,927
Overlay/S&I Deficit	501,923	493,381	450,000	Level	450,000	450,000	450,000
Total Fixed Costs	26,735,902	27,608,384	29,593,257	5%/Level	30,816,558	32,101,025	33,449,716
Town Budgets	19,061,936	19,836,478	20,678,807	3.00%	21,299,171	21,938,146	22,596,290
School Budget	45,658,780	47,028,543	49,648,315	4.00%	51,634,248	53,699,618	55,847,603
Total Expenses	91,456,618	94,473,405	99,920,379		103,749,977	107,738,789	111,893,609
Projected Surplus (Deficit)	-	-	-		(693,206)	(1,655,242)	(2,571,121)

⁽¹⁾ FY26-28 Free cash amounts are estimates for projection purposes. Assumes declining annual free cash balances over time reflecting tighter revenue forecasts and narrowed margins on operating expenses for end of year turn backs. Stabilization use increases in FY26 to offset elimination of ARPA funds. FY28 projected stabilization use reduced to an amount not to exceed 1/3 of the balance per financial management principles.

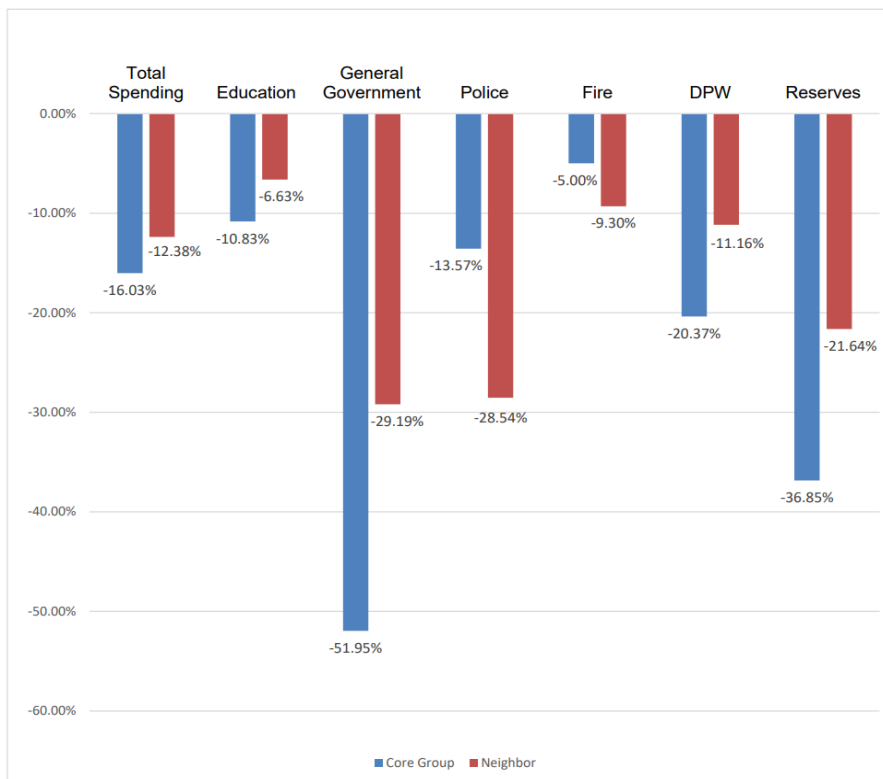
Readers are encouraged to read the executive summary of the FY25 budget available at www.easton.ma.us/budget to fully understand the road ahead. It is worth closing this report by addressing three other questions often inspired by difficult budget years:

1. Can't the Town just cut its way out of this problem?
2. Didn't the Town recently approve overrides to support education, police, fire and public works? Why are these budgets challenged now?
3. Did the Town appropriately advise the public that this day was coming?

4.1 - So Why Not Just Cut Spending More?

An important fact about Easton's financial position is that the structural revenue deficit is just that – a *revenue* deficit. It is not a result of overly generous town or school operating budgets – a fact that has been reviewed and verified repeatedly by both in-house¹⁴ and external¹⁵ benchmarking analyses using publicly available municipal finance data which have consistently shown that Easton:

Table 9: Easton's Percent Variation from Mean Per Capita Expenditure Levels



- Staffs fewer positions in most departments than comparable communities;
- Spends fewer dollars per capita to deliver services than most communities;¹⁶
- Spends fewer dollars total to deliver services than comparable communities.

¹⁴ [Community Expenditure Comparison Report \(documents-on-demand.com\)](#)

¹⁵ [Section 3 Staffing.pdf \(documents-on-demand.com\)](#)

¹⁶ Easton's General Government spending per capita is actually the lowest of any town in Massachusetts, ranking 346th of 351 cities and towns and ahead of only Fall River, Medford, Haverhill, Lynn and Lawrence.

That Easton delivers the high quality educational and public services it does, despite these facts, is testament to the excellence of our staff and the community volunteers in Easton.

Anyone reading this document is strongly encouraged to review the Town's most recent [community expenditure comparison report](#) – the findings of which demonstrate the substantial disparity in Easton's spending compared to its peers (left inset on previous page).

Those comparative analyses – which most recently showed that Easton's per-capita general government spending (town hall departments) is the lowest of any town in all of Massachusetts – prove the adage that you cannot cut your way to better services.

4.2 - Didn't the Town Recently Approve Overrides to Support Education, Police, Fire and Public Works?

Voters in Easton generously approved *debt exclusion* overrides in 2019 and 2023 for the construction of the (now complete) Blanche A. Ames Elementary School and the forthcoming new Police, Fire and Public Works facilities. These essential projects replaced or will replace numerous schools and municipal facilities which were constructed in the mid-20th century, were not code compliant, and suffered numerous other deficiencies making them unsafe, programmatically inappropriate, and far past their useful lives.

Debt exclusions allow for the bond payments associated with a capital improvement to be paid for by revenue raised outside of the 2 ½ levy limit. Accordingly, and critically for any discussion around the Town's operating position and structural revenue deficit, *they have no impact on the operating position of the regular budget*. Further, because these new dollars of revenue are statutorily limited to pay only the costs associated with a given voter-approved capital project, they cannot be reallocated to meet departmental needs.

Framed more simply – the debt exclusions approved in 2019 and 2023 have not contributed to Easton's structural revenue deficit

4.3 - Did the Town Appropriately Advise the Public That This Day was Coming?

A Recurring Challenge Centrally Featured

Managing the structural revenue deficit has been a top priority for the Town for more than a decade. Revisiting budget messages each year will demonstrate the challenges we've faced and the consistent and repeated warning that one day the limitations of 2 ½ percent tax levy growth, coupled with minimal state aid growth, would force a reckoning of our operating position. It bears repeating that these warnings pre-date the substantial inflation of 2021-2023 which far exceeds any in the Proposition 2 ½ era.

FY15 budget message (May 2014) – *“As we go forward into FY 15 we must make improving the financial position of the Town a major priority. Without adequate funding for education, public health and safety, public infrastructure and services for our youth, veterans and elders the town will become a less desirable place to live...”*

FY17 budget message (May 2016) – *“Since the onset of the recession and subsequent deep cuts to state aid to the town, we have been using reserve funds to close a revenue deficit at a rate, if unabated; will result in serious cutbacks in essential services unless replaced with a reliable revenue source.”*

FY19 budget message (May 2018) – *“Fiscal year 2019 will be the eleventh consecutive year grappling with this revenue shortfall. Absent significant new revenue, reductions in services and capital investments will become difficult to avoid in future years.”*

FY20 budget message (May 2019) – *“[the] FY2020 budget adheres to our financial management guidelines. It is balanced. It is reactive to revenue constraints and fixed-cost increases rather than organizational and community needs. It does not fund the growing needs of Public Safety or Public Works and it will reduce services at the Easton Public Schools. These challenges are not new and they did not occur overnight or out of view.”*

FY21 budget message (June 2020) – *“Our structural revenue deficit existed before this crisis and will only be deepened by it. Massachusetts still does not have a FY2021 budget. COVID-19 is still with us and will challenge all of our abilities to serve the public in new ways for the foreseeable future. After the conclusion of Town Meeting and the adoption of a budget for FY2021, the community will need to confront the town’s persistent structural revenue deficit, to consider the long term implications of repeatedly under-funding services across all departments, and whether continuing to avoid an operational override indefinitely is worth those costs”*

FY24 budget message (May 2023) – *“While this budget continues with the incremental progress started last year, we must remain cognizant of the context within which we are progressing. This is the third annual budget since deep cuts to operations with dozens of staff positions in the town and school departments eliminated. We have also passed the halfway point on a variety of critical federal pandemic relief grants, including ARPA and ESSER, and are preparing for the expiration of these revenues, which will challenge the annual budget capacity of Easton. The net result is a FY2024 budget that is still very lean staffed, with many departments operating with suboptimal human and capital resources to meet the needs of the community and our infrastructure.”*

FY25 budget message (May 2024) – *“What has become clear during this [budget] process is that the long-forecasted collision of Easton’s high level of public and educational services*

and the Town’s persistent structural revenue deficit has now arrived... unless current cost pressure trends in the areas of healthcare, school transportation, utilities, and other fixed costs significantly curtail – it is probable that cuts to town and school services may be required in FY26. Accordingly, FY25 may likely be the final year that Easton can sustain its current level of services before shifting to a period of regression... The balanced FY25 budget provides a year of breathing room for our community and its leadership to consider difficult choices about how or whether to sustain Easton’s services into FY26 and beyond.”

4.4. What Comes Next – Promoting a Sustainable Easton

Voters at Town Meeting, through a town-proposed amendment to the FY25 operating budget, heeded the call of the budget message and included language calling for the creation of a committee dedicated to reviewing the town and school operating position and reporting back to Town Meeting on the steps needed to ensure quality and sustainable services in Easton. This committee – Promoting a Sustainable Easton (PASE) - has since been seated, and meetings will begin in late summer 2024. More information about this effort can be found at www.easton.ma.us/pase.