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To: Dr. Lisha Cabral, Superintendent
From: Joseph Spagna, Director of Finance
Date: December 29, 2025

Subject: Summary of FY26 Salary Budget Review and Realignment

Overview

At your direction, a review of the FY26 personnel budget lines was conducted. This memo outlines the factors that contributed to adjustments in projected salary expenditures and provides clarity on how the original budget was developed, how the salary forecast evolved as staffing information became more complete, and how updated projections were identified through standard financial monitoring and review processes.

How the FY26 Salary Budget Was Developed

The initial FY26 salary budget was built using the prior year's salary budget as a baseline, a common budgeting practice that assumes staffing levels and positions remain relatively stable from year to year (often referred to as *level staffing*).

In a typical year, a modest amount of staff attrition occurs through retirements, resignations, and vacancies, and these changes generally have a limited impact on the overall salary budget. The FY26 school year, however, experienced an unusually high level of staffing changes. Many of these changes were not fully reflected in the base salary assumptions used during budget development. As a result, the FY26 salary budget, as adopted, ultimately exceeded what was required to support actual staffing levels.

Role of Attrition and Position Changes

In most years, some attrition-related adjustments result in only minor variances due to normal staffing fluctuations. Because some of these adjustments were not incorporated into the salary base, positions that were no longer filled, or planned for elimination, remained reflected in the budget.

However, as the town's longstanding structural revenue deficit reached a critical point in FY26, significant reductions were required to balance the non-override budget. This led to an unusually high level of staff movement, including layoffs, retirement incentives, resignations, voluntary transfers, and involuntary transfers. Collectively, these factors drove turnover well beyond typical levels, contributing to the discrepancy between the adopted salary budget and actual staffing.

Position Control and Budget Alignment

A necessary tool used to manage this process is a personnel supplement, which documents authorized

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positions, staffing levels, and funding sources each year. This document is essential for maintaining position control and ensuring salary budgets reflect actual staffing.

The personnel supplement was not accurately updated, which limited the ability to consistently reconcile staffing changes and align salary appropriations with current positions.

Steps Taken to Determine the Projected Adjustment

To assess the FY26 salary budget, the following steps were completed:

- Created a personnel supplement that more accurately reflects actual staffing and spending of the District today for a more conservative projection approach.
- Reviewed payroll rollover files used to build the FY26 budget and confirmed they tied back to FY25 salary totals.
- Verified current individual positions against budget records to determine which positions were active, vacant, or intended for reduction.
- Reviewed the FY26 budget reduction schedules to identify positions planned for removal.
- Applied reasonable salary increase assumptions and compared them to the adopted salary budget.
- Reviewed historical budget patterns to assess step and lane movement assumptions and overall staffing trends.
- Confirmed that previous fiscal years 22-25 end-of-year turnbacks from EPS were nominal - typically ranging from 0.05%-1.36% of the district budget - indicating the FY26 salary adjustment is a one-year occurrence. This was then confirmed by the Town Accountant.

Conclusion

The recent budgeting approach contributed to the need for a salary adjustment that is evident in FY26. The salary budget initially presented for FY26 was estimated to be \$1.79 million over actuals described above. There is also \$700,000 - \$800,000 of typical variance attributable to efficiency gains from unused incentive funds and unfilled positions. The district is actively working to fill these vacancies; however, projected savings will continue to increase as long as positions remain unfilled.

The current analysis reflects an adjustment of the salary budget to better match actual staffing levels and available funding. Because of this review, I am comfortable with a budget reduction of \$1.53 million for FY27. Going forward, maintaining a more conservative personnel supplement and formally updating the salary base each year to reflect staffing changes will help the District preserve accuracy and support long-term financial stability, even in the event of the need for future significant budget reductions, such as warranted in FY26.

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FY26 Salary Budget Review – FAQ

1. Why is there a \$1.79 million salary budget adjustment?

The adjustment reflects a correction to the FY26 salary budget so that it more accurately matches actual staffing levels. This will also impact the FY27 budget proposal going forward. It is not new funding or savings, but an alignment of the budget with current personnel realities, as more fully detailed in the EPS Finance Director memo available on the district's website.

2. How did the salary budget become overstated, and what action was taken?

The FY26 salary budget was initially developed using an approach that assumed staffing levels would remain consistent with the prior year. It also did not yet fully reflect the numerous staffing changes that occurred throughout the year. As part of ongoing financial oversight and following the onboarding of a new Director of Finance, the Superintendent directed a comprehensive review of the salary line using updated staffing data and more refined projections.

Upon identification of the overstatement, the town was notified immediately. The result is a more accurate and sustainable salary budget that reflects current staffing levels and strengthens fiscal planning as the district moves into FY27.

The Superintendent also requested that the EPS Director of Finance collaborate with the Town Finance Director to review salary trends from prior years. That review indicates that this adjustment was an isolated occurrence and not part of a recurring pattern.

3. Did staffing layoffs need to occur for the FY26 school year?

Yes. The staffing layoffs for the FY26 school year were necessary, based on the multi-million dollar structural revenue deficit facing Easton and the district's obligation to adopt a balanced and sustainable budget.

The town was, and still is, facing a significant and ongoing structural revenue shortfall primarily attributable to years and minimal state aid increases and, more recently, unprecedented increases to health insurance premiums. To close that gap, both the town and school budgets relied heavily on one-time reserve funding to mitigate reductions. While reserve funds can temporarily slow the impact of budget cuts, they are not a sustainable source of funding and cannot support ongoing staffing costs year over year.

FY26 Salary Budget Review FAQ – Continued

Because the FY26 budget depended on these one-time reserves, the eliminated positions cannot be reinstated without a new, recurring revenue source. Restoring permanent positions using temporary funds would create a high risk of future layoffs and further financial instability.

The salary budget adjustment identified during FY26 does not change the underlying financial conditions that required those reductions. Instead, the adjustment reflects a later reconciliation that aligned the salary budget with actual staffing levels following a period of unusually high turnover, including retirements, resignations, and position eliminations, information that was not fully known until a comprehensive review was completed.

While difficult, the staffing decisions made last year were based on responsible fiscal planning, risk management, and the information available to protect the district's long-term financial stability.

4. *Can some or all of the positions eliminated in FY26, after the override failed, be restored?*

No. The FY26 non-override budget mitigated cuts to town and school departments by using \$3,285,938 in reserve funding that cannot be sustained in FY27. Restoring positions and programs that cost the District money each year with one-time reserve funding would make it very likely that those newly hired positions would be lost to layoffs or cuts in the immediate future. Until new, sustainable revenue sources, such as commercial growth, a change in the state funding formula for schools, an override, etc., become available, the eliminated positions cannot be sustainably restored.

5. *What steps are being taken to prevent this in the future?*

The level of staff turnover experienced during this period was unprecedented. While the district does not anticipate a recurrence of this degree of complexity, existing financial practices have been reviewed and strengthened, and additional safeguards have been formalized to further reduce the likelihood of a similar misalignment occurring again. These include:

- Strengthen position control and budget reconciliation practices
- Include personnel supplement data with annual district operating budget recommendations to the School Committee, Finance Committee, and Select Board for public review
- Conduct an independent external audit for the FY26 EPS budget, with findings made available for public review
- Reconvene the School Committee budget subcommittee to provide a focused financial review and collaboration

These steps will improve accuracy and long-term financial stability.

6. *How was the \$1.79 million figure determined?*

The Executive Team, led by the current EPS Director of Finance, conducted a detailed review that included:

FY26 Salary Budget Review FAQ – Continued

- Rebuilding a more accurate personnel supplement
- Reviewing payroll records and budget assumptions
- Verifying which positions were active, vacant, or eliminated
- Reviewing approved reductions and staffing plans
- Applying realistic salary, step, and lane assumptions

This reconciliation resulted in a conservative, evidence-based estimate.

7. Does this change the financial challenges facing the district?

No. The adjustment does not eliminate the district's broader fiscal challenges. It ensures the salary budget accurately reflects actual staffing and avoids overstating expenditures. In fact, the FY27 budget projection includes the beginning of the use of revolving accounts, which are one-time funds, to supplement recurring budget needs.

8. Should the School Department keep these funds in the district budget, given the town's ongoing financial challenges?

No. The School Department developed its budget based on projected needs and efficiencies identified through stakeholder input and in recognition of the shared responsibility across all town departments to reduce spending.

Further, the \$1.79 million adjustment is smaller than the \$3.2 million in one-time reserves the FY26 budget relied on, and so keeping the funds in future fiscal years is not truly an option, as they are not recurring.

9. What is the impact on staffing for the FY27 school year?

After the payroll adjustments (\$1.79 million) and based on efficiencies already implemented, including those anticipated to take effect next year, the district is cautiously optimistic that layoffs will not be necessary for the FY27 school year. This outlook will be confirmed once more definitive budget information is received from the state and the town, including projections for major cost drivers such as health insurance, transportation, and collective bargaining agreements.

10. What is the key takeaway for the community?

The district conducted a responsible financial review, identified a misalignment, and put a plan in place to correct it immediately. This reconciles an issue that has not happened in the School Department before, and with the additional safeguards in place, should not happen again. While FY26 required difficult decisions, this process strengthens oversight and helps ensure greater accuracy and accountability moving forward.

Updated as of January 6, 2026