Finance Committee Minutes 12/8/2025

Key Drivers of FY27 EGPS Budget

Revenue

- State Aid is the largest source of revenue after the town appropriation
- Federal Funding currently budgeted for $971,166, subject to a lot of volatility in this climate
- Other grant sources We are grateful for the generosity of the EGEF and PTGs and our community at large
- Other revenue sources include CTE tuitions, Pre-K peer partners, and building use fees, looking to supplement with before/after school care.
- Town Appropriation currently makes up 85% of the revenue that supports out district. FY27 has a large debt service payment that will factor into our appropriation

Expenses (in order by magnitude)

- Personnel 78% of overall expenditures; new CBA for teachers, currently negotiating with paraprofessionals. Budgeting 8% for health and 5% for dental. Pension rates are reduced for FY27 for our largest group of employees and increased for everyone else.
- Special Education: providing necessary supports for all students carries many uncontrollable costs.
- Transportation: many variables included within in-district and out-of-district transportation. Currently participating in a RIDE transportation route review and going out to bid this year
- Maintenance/Utilities costs to properly clean and maintain our schools is the next

largest driver • Miscellaneous/Other High quality curriculum, out of district tuition

The fallacy that costs can be reduced by hiring teachers below step 10, which is

false because: • Research shows that the best predictor of teacher effectiveness is

experience

- Entry level candidates are in short supply, especially in math and specialties like school psychology

- The current pension system forces teachers to stay in the district for as much as

30 years With 200 teachers at step 10, we have 2,000 years of experience in the

district which is priceless. EG is not an outlier in this regard.

One of the points of contention has been the size of the step increases, which does not take into account that the lower step salaries are quite low.

See the RIDE accountability report for comparisons to other districts.

EG tends to rank relatively high on measures of performance, and near the bottom on measures of expenses.

Fund Balance Analytics

Auditor General's Trend Report

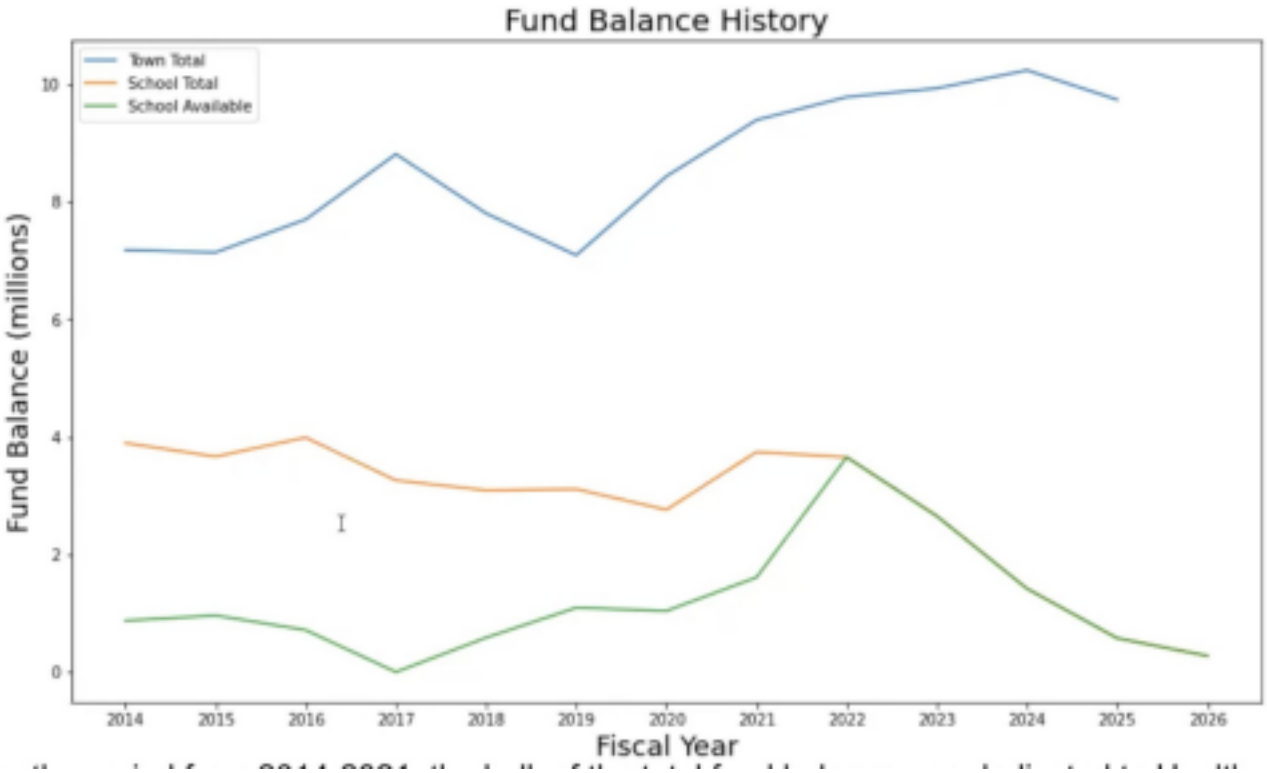
EG was criticized for a downward trend in fund balance.

Taken at face value, it looks like we operated at a deficit four years out of the last five.

However, the auditors received all of their information from the town side and it apparently did not take into account the fact that most of the decline was caused by the move from health savings accounts to PPO.

This meant that approximately $3 million in restricted fund balance for health service accounts suddenly became unrestricted. At that time, members of the town council complained that we had too much in fund balance.

Subsequently, we paid it down in the form of stipends to get the increase in the last teacher's CBA up to 3%.



So the reasons the fund balance went down included:

- The town manager cut $500,000 from the appropriation request in 2023
- The state cut more than $800,000 from state aid in 2025
- A decision was made to use fund balance to pay stipends that gave the teachers a 3% increase (when all five municipal bargaining units had gotten 3% the previous year)

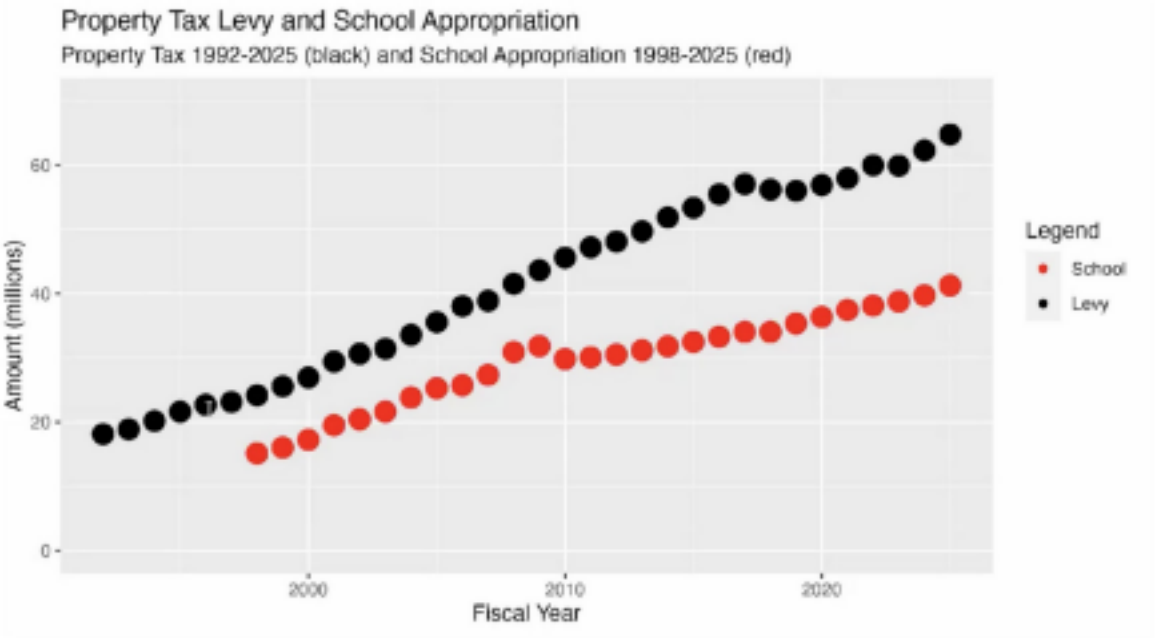
Appropriate Fund Balance Size

There was a discussion of the appropriate size of fund balance. Based on the UCOA history, the average difference between budget and actual is +$400,000, that is, on average expenses come in $400,000 below budget, with a standard deviation of $400,000. This suggests that a fund balance of $1.2 million corresponds to three standard deviations.

For a bell curve distribution, the probability of seeing a year below three standard deviations is 1/10 of one percent. For an extremely conservative estimate, Chebychev's theorem states that the fraction of the population outside the interval k standard deviations wide on either side of the mean can never exceed the reciprocal of k squared. In our situation, the absolute worst possible case allows us to exceed three standard deviations once every nine years, even if all of the error is on the negative side.

The Long Term Picture

When you look at the big picture over the long term, the thing that jumps out is the remarkable stability:



This bodes well for an objective of realizing a stable, sustainable financial picture for the school department over the long term. Careful management of fund balance can play an important role in this strategy.