

Budget Task Force Final Report

Recommendations for Addressing South Hadley's Structural Budget Deficit and Long-Term Fiscal Sustainability

Town of South Hadley

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Focus Period:

Fiscal Years 2027 – 2031

Prepared for the Selectboard

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Executive Summary

The Budget Task Force (BTF) was convened as part of the FY26 budget development process in response to mounting budget pressures and recognition of a structural deficit. The committee was formed proactively to examine the Town's budget and identify sustainable goals. It was charged with examining the Town's mission, community priorities, and long-term fiscal sustainability through analysis of financial forecasts, enrollment trends, and service costs. The Task Force examined structural budget gaps beginning in FY27; assessed previously identified efficiencies and non-override revenue options; benchmarked against comparable municipalities; and evaluated the impacts of tax, fee, and policy changes on residents and service delivery. In consultation with the Town Administrator and School Superintendent, the Task Force reviewed programs and departmental expenditures and analyzed the consequences for Town and School operations if its recommendations are not implemented. After reviewing, discussing, and analyzing the Town/Schools budgets, the committee was charged with making recommendations to the Select Board for review.

The budget deficit is not attributable to a single major issue; rather, it is the cumulative result of several decades of contributing factors. South Hadley is a predominantly residential town with an economic base centered on higher education, senior services, electric utility operations, and municipal services. While the town's population has remained relatively stable, it has a growing share of those over 65 and declining school enrollment. Homeowners account for 92% of the property tax levy due to limited commercial development and a significant share of tax-exempt institutional property. Median household income is modestly above county averages; poverty rates are relatively low; and the housing stock is largely owner-occupied and of moderate value, which limits revenue growth without increasing residential taxes and fees. State and federal aid provide essential but insufficient and often volatile support, while one-time COVID-19 relief funds have been exhausted. South Hadley relies heavily on free cash for capital improvements, adding long-term fiscal pressure as major infrastructure needs loom. All of this frames the Budget Task Force's charge to identify data-driven recommendations that balance fiscal stability, service delivery, and community priorities.

The Task Force analyzed the Town's structural budget deficit by reviewing multi-year revenue and expense trends, key cost drivers, growth constraints, and the long-term financial outlook, informed by detailed budget reviews, department consultations, capital planning input, and public hearings. This analysis was supplemented with municipal data, peer community benchmarks, and external research to evaluate multiple funding and override scenarios and their impacts on Town and School services, expenditures, and taxpayers.

Following this review, the Town anticipates encountering budget shortfalls of \$2-3 million annually over the upcoming 3-4 fiscal cycles. Significant findings include:

- Maintaining current Town and School service levels will require an estimated **\$9–11 million** over that period, absent new revenue sources.
- New growth has been minimal; **FY27 new growth is projected at approximately \$100,000 in new taxes**, with only modest increases expected from recent zoning changes.

- **Significant expense control discipline is essential**, as revenue growth alone cannot resolve the deficit.
- State aid declined from **32% of the Town budget in 2009 to 25% in FY26**.
- Schools require **4–6% annual increases** to cover COLAs, step increases, and inflation; actual average growth over the last decade was **2.8%, resulting in cuts**
- **School Choice and Charter net losses total \$3.1 million, driven by outdated funding formulas and increased post-pandemic participation**
- **School Special Education costs now represent 38% of the school budget (up from 25% in FY17)**
- Most Town departments operate **at or below peer staffing levels**, with recruitment and retirement risks
- Service demand is expected to increase due to an **aging population** and growing regulatory complexity
- South Hadley faces a **structural budget imbalance with no single solution**.
- Survey and BTF findings support the **need for an override paired with transparent financial decision-making, long-term fiscal sustainability planning, ongoing public engagement and education, and strategic cost management** to preserve essential services.

Override options reviewed based on maintaining the current service levels:

Dollar Amount	Years raised over	Dollar amount per year (millions)	Additional average household monthly impact	Budget impact & projected deficits
\$3 Million	One year (FY27)	\$3m	\$40	Major Cuts in FY27-29 \$4.6m deficit in FY31
\$6 Million	3 years (FY27-29)	\$2m/\$2m/\$2m	\$27	Medium Cuts- FY27-29 \$3.1m deficit FY31
\$9 Million	4 years (FY27- 30)	\$2.5m/\$2.5m/\$2m/\$2m	\$33/\$33/\$28/\$28	Limited Cuts FY27-30 \$2m deficit FY31
\$11 Million	5 years (FY27-31)	\$3m/\$3m/\$2m/\$2m/\$1m	\$40/\$40/\$28/\$28/\$14	Few Cuts FY27-31 \$1.5m deficit in FY31

A more detailed report on the BTF findings and recommendations is available in the full report. As mentioned, **there is no one solution to overcome this problem. The structural deficit will not be fixed by an override alone.** The Budget Task Force **recommends a series of recommendations for Revenue, Expenses, New Growth, and Advocacy** across short-, medium-, and long-term timelines. Our recommendations are based on what is best for South Hadley: its community members, its students, and the overall quality of life for the entire community.

These include:

For Year One Revenue recommendations

- An override for the April 2026 town election. Based on maintaining level services, the BTF voted to support the \$11 million override over five years. However, the BTF also noted that additional factors will influence the eventual override amount presented to voters. Some of these factors include:
 - The clarity and simplicity of what the Town will be asked to vote on
 - What dollar amount will South Hadley taxpayers be willing to support due to affordability
 - The duration of the override as a bridge to buying time for other recommendations to take effect
 - That one-third of the survey takers would not support any form of override
 - There will be a debt exclusion vote to support the new Mosier School Building project within the next couple of years
 - If the vote fails, the alternative is **significant eliminations** to both the Town and Schools -
- Increase revenue through new fees and zoning enforcement, and develop PILOT program for tax-exempt property owners.
- Schools - Review the School Choice policy to reverse the recent negative trend in Choice

Year One Operations/expenses recommendations

- Develop a FY27 budget with Fiscal discipline and strategic eliminations if needed
- Actively engage with Hampshire Trust for the best health insurance premiums
- Seek the state Division of Local Services' auditing services

Year One Growth Recommendations

- There are few opportunities, if any, for FY27

Year One Advocacy Recommendations

- Advocate for new state funding models for Schools (SPED funding) and Town

For 2-5-year Revenue Recommendations

- The PILOT Program is fully activated, and partnership agreements have been completed
- Strategic Grant support to fund School support programming and economic development and limit reliance on grants that create unfunded long-term costs
- Improve School Choice Program - develop new offerings and attractive programming for South Hadley students
- Ledges - Review contract and continue strategic plan to increase revenue and expand programming to serve the entire community

2-5-year Operations/expenses recommendations

- Develop a comprehensive Health Insurance Oversight and Strategy Plan to routinely evaluate new options
- Develop a Succession Plan and staffing optimization strategy, enhancing efficiencies, overcoming loss of long-serving staff, and prioritizing strategic impact

- Invest in technology and process improvements where possible to enhance efficiencies
- Consider hiring a Finance Director and an Economic Development Director
- Further collaboration with the Fire/Water districts to decrease overall tax impacts to the community, as discussed in the Shared Services report
- Continued financial auditing as appropriate

2-5-Year Growth Recommendations

- Establish an Economic Development Plan to attract new businesses, encourage development and growth, and maximize revenue opportunities

2-5-Year Advocacy Recommendations

- Continued efforts to improve funding models at both the state and federal levels

For 5+-year Revenue Recommendations

- Evaluate revenue advances made by the Town and adapt to future opportunities to increase revenue

5+-year Operations/expenses recommendations

- Consider opportunities to regionalize services if appropriate
- Continue Efficiency studies and efforts, including working with the Department of Labor Services
- Continued financial auditing as appropriate

5+-Year Growth Recommendations

- Expand the 2-5yr EDP

5+-Year Advocacy Recommendations

- Based on accomplishments to date, continue strategic advocacy with state and federal funding formulas to support South Hadley

Section I: The Problem

South Hadley faces a structural financial deficit. Operating expenses surpass revenues, a persistent issue compounded by substantial increases during the FY26 budget cycle. Over time, as revenue growth has failed to keep pace with expenditure increases, the response has been to reduce staff, curtail other expenses, defer repairs and capital projects, or employ a combination of these measures.

South Hadley's property taxes are the primary source of funding for the town's services and the school district. Unfortunately, unrestricted state aid, as a percentage of town revenue, has declined from 32% to 25% since 2009. While state funding has declined over time, the Town is still subject to a 2.5% annual increase in the tax levy under state law.

South Hadley has relied heavily on state aid and grants, which have not kept pace with increased expenditures. Additionally, grants have been used for ongoing operating expenses, and once those funds are expended, the town retains the subsequent expenditures within the operating budget.

In 2025, South Hadley's structural deficit increased significantly, and budget projections indicate the problem will worsen over the next couple of budget cycles. Specifically, the rate of growth in state aid, which had been below 2.5% for years, declined. \$1.7 million in federal pandemic-related grant funds ended, and the teachers and staff hired with that grant money became part of the Town's overall budget.

For expenses, health insurance costs increased by 42%. Special Education costs, which are legally required by the state, have increased significantly, and School Choice numbers are negative, resulting in a \$3.1 million expense to the Town. Inflation has also affected all expenses.

Budget estimates for the next five years are challenging. Projections indicate a budget gap of \$3.5 million next year (FY27) that will grow to \$10.5 million in 2030-31.

Section II. History and Context

To gain a comprehensive understanding of the town's budget deficit, it is essential to consider the historical context and its influence on the current situation. Since its establishment in 1763, South Hadley has operated as a mixed-use community encompassing industrial, agricultural, and residential sectors.

As regional and national economic patterns changed, particularly with the decline of local manufacturing, South Hadley's economic base transitioned toward higher education, health and senior services, electric utility operations, and residential uses.

These shifts influenced land use patterns, employment opportunities, and municipal service demands that persist today.

Understanding this evolution is important to examining the Town's current mission, priorities, and capacity to generate revenue while maintaining essential services.

Demographic and Enrollment Trends

Over recent decades, South Hadley's population has remained relatively stable. However, the demographic composition has changed, with a growing share of older residents and fewer school-age children. The percentage of residents aged 65 and over now exceeds the statewide average, while student enrollment has trended downward.

These demographic shifts have implications for:

- Demand for municipal services, including senior services and public safety
- School enrollment projections and long-term educational costs;
- Workforce availability and local economic activity; and
- Distribution of the local tax burden.

Median household income in South Hadley is about 10% higher than that of Hampshire County. It is higher than the median income of Northampton and Amherst, but lower than that of Granby, Belchertown, and Hadley. Over 7% of the residents live below the poverty line, with families a significant portion of this group. The town's residential housing stock is largely composed of modest, owner-occupied homes, with **limited high-value residential development. These characteristics affect both the town's revenue-generating capacity and demand for municipal services.** Understanding these trends is central to the Task Force's charge to examine school enrollment projections, operational costs, and long-range fiscal sustainability.

Economic Base and Tax Structure

South Hadley's economy and tax base are anchored by a limited number of large employers and institutional entities, including Mount Holyoke College, Loomis Communities, NStar Electric, and Eversource.

Under Massachusetts law, a significant portion of the Town's assessed property value is held by tax-exempt organizations. Consequently, homeowners account for 92% of the property tax levy. Residential development is predominantly modest, owner-occupied housing, with limited high-value or large-scale commercial projects.

These factors directly affect the Town's revenue-generating capacity and are central to the Task Force's examination of non-override revenue options, benchmarking against comparable municipalities, and analysis of the impact of increased taxes and fees on residents.

Municipal and School Services

Under Massachusetts law, South Hadley is required to provide a wide range of municipal and educational services, including K–12 education (with **mandated special education services**), public safety, public works and infrastructure maintenance, public health, elections, assessment and tax collection, and veterans services.

The Town also provides additional State-recommended services, including senior services and public library services. In addition, South Hadley operates a municipal golf course and owns an electric utility, the South Hadley Electric Light Department (SHELD), which is a self-supporting enterprise fund governed by an elected board. The town also elects members to the South Hadley Housing Authority, an autonomous entity under state law.

The South Hadley School District, governed by an elected School Committee, represents the largest proportion of the Town's operating budget. The district operates four schools serving students from pre-kindergarten through grade 12.

Understanding the Town and Schools service structure informs the Task Force's responsibility to review these programs and services and their corresponding expenditures in consultation with the Town Administrator, department heads and School Superintendent.

Revenue Sources and Structural Constraints

South Hadley relies on local, state, and federal revenues to fund Town and School operations. Local property taxes are the primary source of recurring revenue. Under Proposition 2½, annual property tax levy growth is limited to 2.5 percent plus new growth, absent voter approval of an override. Several long-standing factors further constrain property tax growth:

- Limited commercial and industrial development;
- Zoning patterns that restrict large-scale new growth;
- Expansion of protected open space and conservation lands
- A significant amount of tax-exempt property.
- Small-town bedroom community philosophy, which has restricted certain business growth opportunities.

Together, these conditions restrict the Town's capacity to increase revenues at a rate adequate to offset escalating service and operational expenses, thereby contributing significantly to the structural budget deficit that the Task Force has been tasked with quantifying starting in FY27.

In addition to property taxes, the Town receives local non-property revenues such as motor vehicle excise taxes, local option taxes, fees, investments, licenses, and permits. These revenues are generally stable but provide limited growth potential.

State and Federal Funding Environment

State aid supports both municipal services and educational programming, but is distributed through formulas that have not kept pace with inflation or the rising costs of mandated services, particularly special education. At the same time, required state and regional assessments charged to municipalities have increased.

Federal funding flows to South Hadley primarily through state-administered programs for education, senior services, and school nutrition. During the COVID-19 pandemic, the

Town received significant one-time federal relief funds, which were used to address immediate operational pressures and deferred capital needs. These funds have now been fully expended and no longer provide ongoing budgetary support.

Understanding this broader funding environment is critical to the Task Force's charge to examine the impact of changes in state and federal policies and funding on municipal and school services.

The Budget Process and Town Governance

South Hadley operates under a representative Town Meeting form of government. An elected Selectboard establishes policy and appoints a Town Administrator, who is responsible for day-to-day operations and preparation of a balanced operating budget. A representative Town Meeting (composed of 120 elected town meeting members) functions as the town's legislative body, and must approve budgets and bylaws.

The Town Administrator is charged with submitting a balanced operating budget to Town Meeting for approval. Working with department heads, the town administrator develops a proposed Town budget that is reviewed by the Selectboard. Following discussions with the Town Administrator on State funding projections, the School Superintendent works with principals to present a budget to the School Committee for approval.

During the January - April budget approval season, the Selectboard and the School Committee will hold joint public meetings with the Appropriations Committee. The Selectboard and Town Administrator then create and approve a balanced budget and the final warrant articles for Town Meeting, after which Appropriations holds a Public Hearing to vote on the financial warrant articles for submission. The budget then goes to the Annual Town Meeting for approval.

Capital projects are funded primarily through free cash and are reviewed annually by the Capital Planning Committee. In recent years, the creation of a Director of Facilities position has enabled a more systematic assessment of town and school infrastructure and the development of a multi-year capital plan. While federal relief funds temporarily reduced the capital backlog, free cash now remains the primary funding source for capital improvements.

Where possible, enterprise accounts fund capital projects associated with the enterprise service. The two primary enterprise accounts are the Waste Water Treatment Plant account, which earns revenue from sewer fees, and the Ledges account, which generates revenue from golf fees.

While one-time federal funds temporarily reduced capital backlogs, free cash remains the primary source of capital project funding, creating additional long-term fiscal pressures. Additionally, the town has future needs for significant infrastructure capital projects.

Fire and water fees are established by the two water/fire districts within the municipality. These fees are independently established by the District Prudential Boards, separate from the Town's budgetary procedures. The Boards are composed of individually elected residents from their respective districts, and their fee determinations are not constrained by the limitations of Proposition 2-½.

This historical and fiscal context frames the Budget Task Force's charge to examine the Town's mission and priorities; identify structural budget gaps beginning in FY27; assess efficiencies, best practices, and revenue options; benchmark services and costs; and evaluate the impacts of potential actions or inaction. Understanding how South Hadley arrived at its current financial position is essential to developing sustainable, data-driven recommendations that balance fiscal stability, service delivery, and community priorities.

Section III. ANALYSIS

The Budget Task Force (BTF) conducted a comprehensive analysis to assess the town's current fiscal position, identify underlying causes of the structural deficit, and develop recommendations for the Selectboard. The process involved a combination of historical review, data analysis, stakeholder engagement, and scenario modeling.

To begin, the BTF identified the central issue as a persistent deficit caused by cost growth outpacing revenue increases. The committee reviewed historical budget books, financial reports, and other supporting documents to trace long-term fiscal trends. Department Heads were interviewed to provide insight into staffing levels, expenditure patterns, and operational requirements. The BTF met twice monthly to evaluate findings, compare data, and refine its understanding of the town's financial dynamics.

Public engagement was a key component of the analysis. The BTF held three Listening Sessions and reviewed responses from a Town-wide survey to capture community perspectives on service priorities and funding preferences. These sessions generated numerous suggestions, including recommendations related to Payment in Lieu of Taxes (PILOT) programs and zoning enforcement improvements. Community members also voiced support for School funding. The feedback reinforced prevailing concerns about maintaining essential services while managing tax burdens.

During working sessions, the BTF held detailed discussions with each department to assess historical context, budget constraints, and potential areas for efficiency gains. The group also examined risk factors associated with ongoing budget reductions and reviewed opportunities to streamline operations. Scenario modeling was used to evaluate various override options and assess their relative impacts on municipal and school services and on taxpayers.

Throughout its review, the BTF received detailed financial data and analytical support from the Town Administrator, Superintendent, and staff. The findings highlighted several persistent challenges, including declining state aid, limited prospects for immediate revenue growth, and the town's heavy reliance on a homeowner tax base that accounts for approximately 92% of total property taxes.

Section IV. FINDINGS:

Following a comprehensive analysis of all data, budget scenarios, and consultations with the Town and School departments, the Town of South Hadley anticipates annual budget shortfalls of \$2-3 million over the next 3-5 fiscal cycles. The Budget Task Force (BTF) further estimates that, to sustain current levels of Town and School services—excluding new growth, emerging state funding models, or additional revenue sources—the Town will require roughly \$11 million over the next five fiscal years to maintain the current level of services. This financial requirement implies substantial budget reductions across all sectors, absent new revenue streams. The subsequent overview summarizes the critical findings relevant to the recommendations.

Constrained/Limited New Growth.

Residential property taxes account for over 92% of the Town's property tax base. New growth from residential or non-residential development has been minimal over the past few years. The FY '27 projection is approximately \$100,000, with slight increases over the next few years due to recent zoning updates. Any increases in revenue outside of taxes are limited to user fees, which, by statute, are restricted in how they can be used and typically cover only the resources required for that activity.

In South Hadley, longer-term opportunities will take time, as economic development has not been prioritized as rigorously as in nearby communities. Revenue from economic development, new growth, or other initiatives has strong potential for future budgets; however, it likely won't have a meaningful impact on the immediate needs in FY27 and FY28.

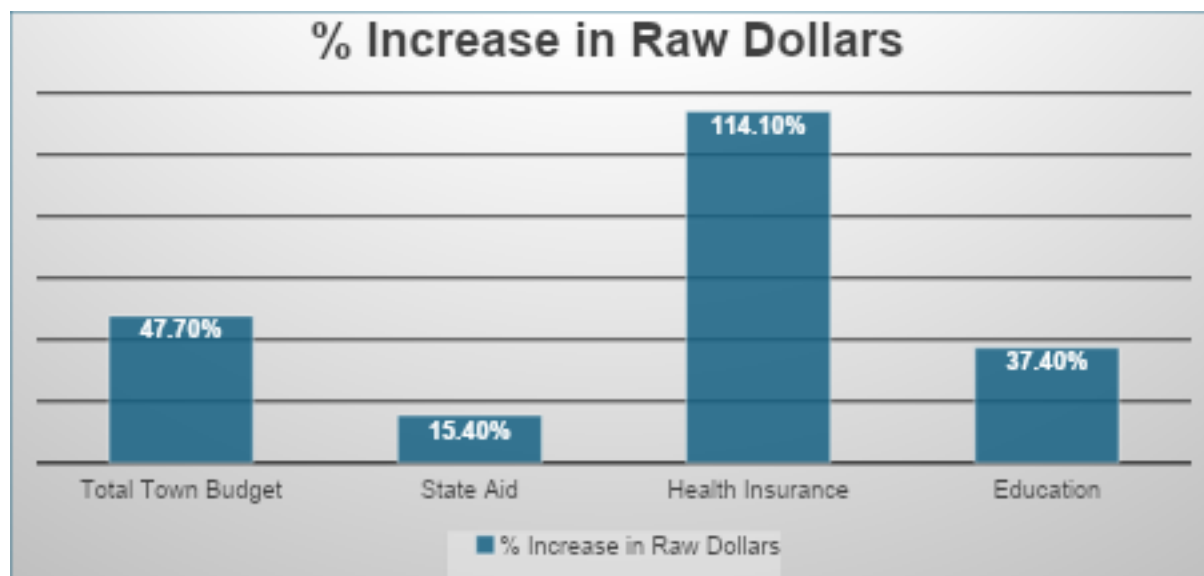
Near-term options exist, but they are modest. Increasing user fees and establishing a PILOT (Payments in Lieu of Taxes) program with local nonprofits could generate revenue, but policy changes and the creation of entirely new programs take time, and immediate gains are likely modest.

The most important conclusion is that revenue growth must be accompanied by effective **cost management**. As mentioned, the limited options for increasing revenue will not fully address the structural deficit. Therefore, the Town must continue to budget carefully, with strategic cost control essential for maintaining services.

State Funding

Across the state, unrestricted government aid (UGGA) is \$500 million lower per year than in 2009, adjusted for inflation. In South Hadley, state aid accounted for 32% of the Town's budget in 2009. As of FY26, this number is now 25%. In raw dollars, state aid has increased by only 15.4% since 2009, while health insurance and education expenses have increased by 114.1% and 37.4%, respectively. This gap has increased the town's reliance on local taxes to fund its expenses. The only realistic way to change

this trend is for state government representatives to advocate for increased unrestricted aid to communities like South Hadley.



Health Insurance Issues

South Hadley is a member of the Hampshire County Group Insurance Trust. The trust is a joint purchasing group managing health insurance for 73 municipal entities across several Western/Central Massachusetts communities. South Hadley is one of several voting members of the trust and does not have sole decision-making authority. The recent spikes in health insurance premiums affecting the town budget are driven by a combination of the trust's lower-than-recommended rate increases over the past few years and higher-than-forecast claims. The trust needed to raise rates rapidly to maintain stability in claim payments. The trust has recently transitioned to a consultant-led leadership model to improve cost management stability.

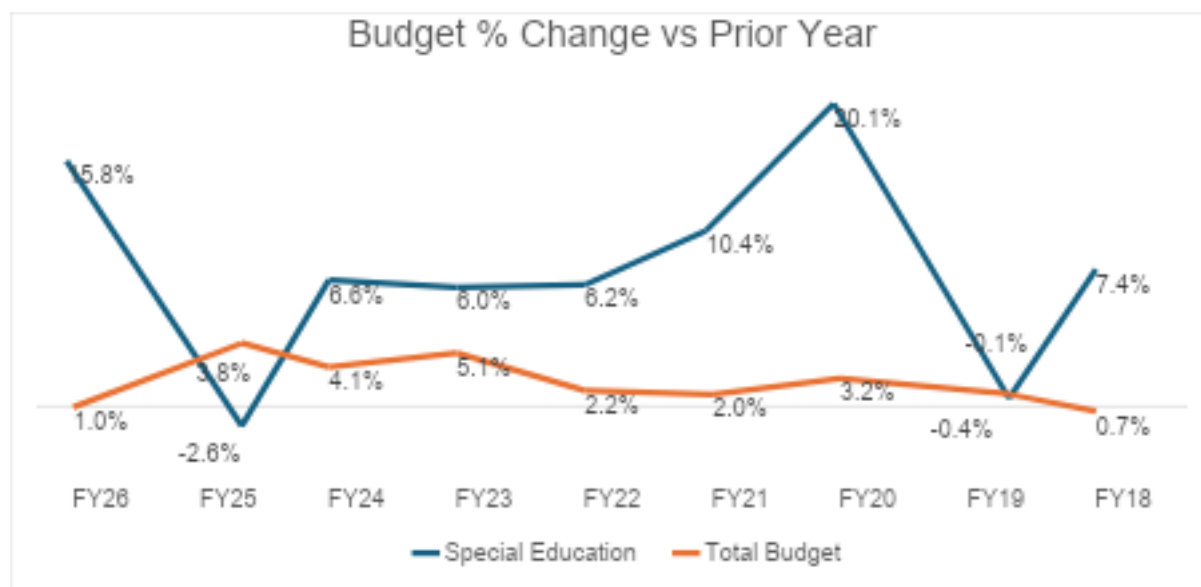
In the summer of 2025, South Hadley began working with an independent consulting firm to evaluate the best health insurance option for the town (maintain the current plan, join another group/trust, or self-insure). The goal of this study is to determine which option is most sustainable for the town, considering the benefits and costs.

South Hadley Public Schools' general guidance is to increase a town's school budget by 4-6% annually to keep up with COLA increases, Contracted Step-Ups, and other general yearly increases. Over the last 10 years, South Hadley's school budget has increased by 2.8% per year. This has resulted in numerous cuts to teachers, administration, and programs.

The high number of students who have chosen to leave the district for School Choice has resulted in a \$3.1 million deficit, driven by a significant post-pandemic increase. The choice dollar amount and funding models have not been updated since the early 90s

and would require updated legislation to correct. There are many options available to students today, and these families are choosing to leave the district.

Special Education costs now account for 38% (vs 25% in FY17) of the overall school budget. FY26 Special Education costs are projected to be nearly \$10 million, representing a 92% increase over FY17. By comparison, the overall school budget has increased by only 24% since FY17.



On average, both spending per pupil and teacher salaries in South Hadley schools are below those of comparable communities, while overall staffing levels are in line. Compared with similarly sized schools, class sizes across all grades are 50% larger and exceed the state's recommendations by 20%. Outside of teachers, specialists, and psychologists, staffing levels are below recommended levels, while nursing and administrative staffing are in line with best practices.

	Enrollment	Class Size	Staffing			4 Year Average		
			Admin	Teachers	Support Staff	Grad Rate	Spending Per Pupil	Teacher Salaries
Avg of Comparable Districts	1627	17	14	135	115	88%	\$18,327	\$77,195
South Hadley	1620	25.25	14	141.93	131.85	95%	\$16,491	\$73,028
SH Index vs Avg	1.0	1.5	1.0	1.0	1.2	1.1	0.9	0.9
SH Index vs State Guidance		1.2						

As noted above, of the four override scenarios, the \$11 million scenario is projected come closest to maintaining current service levels, barring unforeseen major cost

impacts. The remaining scenarios (\$ 3, \$6, and \$9 million) involve varying degrees of position and program elimination.

That said, Town departments in South Hadley will face increasing service demands over the next decade, primarily due to an aging population and more complex resident needs. Departments such as the COA, Library, and Planning expect higher demand for senior services, youth support, and community planning. Regulatory expectations and community engagement needs will also continue to rise. Departments also provide many services outside their core functions, such as the Library and the Council on Aging.

Most departments face staffing shortages and recruitment challenges, and many tenured employees are approaching retirement age. Many roles require significant experience or specialized skills, making turnover costly. Reduced staffing leads to slower response times, heavier workloads, and a greater risk of burnout or the loss of essential expertise. Almost every department in the town is at or below peer communities.

For example, according to the June 2024 SH Police Department Staffing study, the department has 1.6 officers per thousand residents. This is below the state average for comparable communities (1.9).

Across town departments, salaries account for an average of 80% of the budget. When all departmental variances are totaled, **South Hadley essentially functions with an average of 11 fewer employees than its peers.**

	Town Admin	HR	Accountant	Assessor	Treasurer	Clerk	IT	COA	Veterans Affairs	Rec Dept	Health	Facilities	Inspection	Planning	Library
South Hadley	2	1.5	3	2	3	2.25	1	5.5	1	2	3.5	1	3	3	10.4
Avg of Peer Towns	2.7	2.6	3.4	2.9	3.7	2.4	2.7	7.9	1.1	4.2	3.8	3.3	3.5	1.9	9.4
SH vs Peers	(0.7)	(1.1)	(0.4)	(0.9)	(0.7)	(0.1)	(1.7)	(2.4)	(0.1)	(2.2)	(0.3)	(2.3)	(0.5)	1.1	1.0

*Peer communities structure their DPW departments differently vs South Hadley, creating un-even comparisons. Thus DPW data removed from comparison.

State and federal requirements are becoming more complex, especially for elections, records, building codes, policing, HR, and wetlands/zoning compliance. Departments face growing training and reporting demands, making it harder to keep up without sufficient staffing or expertise.

Many town buildings and mechanical systems are aging and require major repairs or replacement. While the town has improved capital planning, large-scale upgrades still lack sufficient funding. Long-term infrastructure needs—especially wastewater—are a significant upcoming challenge.

Technology costs are rising quickly, and departments rely heavily on digital platforms for daily operations. Switching platforms is difficult and resource-intensive. Cuts could force departments back to slower, paper-based processes and reduce public access to online services.

Budget reductions across departments would lead to fewer staff, shorter hours, slower service, and fewer programs. Critical services such as public safety, DPW operations, and community programs would be hit hardest. Cuts could increase risks, delay projects, and reduce support for seniors, youth, and families.

Departments have few opportunities to generate meaningful new revenue. Some can adjust fees, but gains are small. Planning and Conservation depend heavily on grants to advance key community projects, but grant work requires staff capacity that could be lost under cuts.

Many services are already outsourced, and additional outsourcing often wouldn't save money—or could cost more. Some functions require specialized local skills that are difficult to outsource. In some areas (IT, DPW, Inspectional Services), outsourcing is not cost-effective.

Summary Chart for override options:

Dollar Amount	Years raised over	Dollar amount per year (millions)	Additional average household monthly impact	Budget impact & projected deficits
\$3 Million	One year (FY27)	\$3m	\$40	Major Cuts in FY27-29 \$4.6m deficit in FY31
\$6 Million	3 years (FY27-29)	\$2m/\$2m/\$2m	\$27	Medium Cuts- FY27-29 \$3.1m deficit FY31
\$9 Million	4 years (FY27- 30)	\$2.5m/\$2.5m/\$2m/\$2m	\$33/\$33/\$28/\$28	Limited Cuts FY27-30 \$2m deficit FY31
\$11 Million	5 years (FY27-31)	\$3m/\$3m/\$2m/\$2m/\$1m	\$40/\$40/\$28/\$28/\$14	Few Cuts FY27-31 \$1.5m deficit in FY31

DPW, Police, and several other departments emphasize that staffing cannot be reduced without major impacts. Legal requirements, public safety needs, and core service expectations leave little flexibility for meaningful cuts without affecting residents.

(See supporting documents on the BTF webpage for more detailed information)

Survey Results

In collaboration with the University of Bridgewater, the Town of South Hadley conducted a community survey between December 2025 and February 2026 to assess residents' understanding of the override process, budgeting processes, and priorities related to potential service reductions. A total of **2,290 residents** responded to the Town of South Hadley Override Survey, which represents **about 13.1% of the town's total population**.

Responses predominantly reflect a long-term, homeowner-based population. Sixty-six percent of respondents do not have children at home, whereas the remaining 46% have between 1 and 3 or more children. While awareness of the existence of a budget override is generally high, a deeper understanding and ongoing engagement with budget discussions are relatively limited. This indicates a need for continued public education and outreach on both the annual budget process in general and the upcoming override decision.

What age categories best describe you?		
Range	Percentage	Count
18-24	2%	38
25-34	10%	161
35-44	28%	438
45-54	22%	339
55-64	16%	246
65+	22%	353
How many school-age children do you have?		
Range	Percentage	Count
0	56%	883
1-2	37%	590
3 or more	7%	117

Survey results show a divided electorate on fiscal support for an override. Just under a quarter support preserving services, nearly a third support both a general override and a debt exclusion for a new school, and roughly one-third oppose both options. Most prefer modest monthly increases, highlighting sensitivity to affordability despite recognizing service needs.

Support Level for the Following Scenarios		
Item	Percentage	Count
Override to preserve town and school services ONLY	24%	425
Debt exclusion to renovate/build a new elementary school ONLY	12%	212
Both	30%	533
Neither	34%	611

How much more per month would you be willing to pay in property taxes to maintain services?		
	Percentage	Count
\$0	29%	511
\$1-25	27%	468
\$26-50	23%	404
\$51-75	8%	147
\$76-100	12%	207

Residents believe that failing to pass an override would harm the community's quality of life, particularly by reducing road maintenance and increasing class sizes. They also worry about cuts to extracurriculars, support services, libraries, recreation, and senior programs. Most prefer avoiding irreversible reductions, fearing long-term erosion of town services.

How comfortable are you with cuts to town services if they cannot be immediately restored in future years?		
Answer	%	Count
Extremely uncomfortable	37%	599
Somewhat uncomfortable	31%	491
Neither comfortable nor uncomfortable	15%	239
Somewhat comfortable	9%	152
Extremely comfortable	8%	122

Open-ended responses support these findings and highlight that residents value strong schools, accessible amenities, and services for families and seniors. Respondents linked service quality to property values and the town's attractiveness. Suggested solutions to budget issues include pursuing non-tax revenue, revising costs, and implementing transparent, fair fiscal policies.

Based on the survey and the Budget Task Force's findings, there is no single solution to the Town's structural budget challenges. All findings suggest a prudent fiscal approach, necessitating an override and a clear expectation that the Town prioritize transparency, establish a long-term sustainability plan grounded in strategic fiscal management, reduce the tax burden on homeowners, and preserve essential services.

Section V. RECOMMENDATIONS.

It bears repeating that there is no single solution. Consequently, the Budget Task Force recommends that the Town and Schools maintain fiscal discipline and, if necessary, implement additional cuts alongside an override. The BTF also recommends that the Town develop a long-term strategic plan to preserve services, enhance transparency and advocacy, and balance override options with prudent cost management. These recommendations are categorized into short-term, medium-term, and long-term

strategies based on their projected impact on future South Hadley budgets. Additionally, each section will outline recommendations on expenses, revenue growth, and advocacy.

Short-term Recommendations - YEAR 1

Short-term recommendations will be defined as those that address budget development for FY2027, which will be approved by Town Meeting in May. The most important recommendation is a Proposition 2½ override vote to cover most of the projected \$3 million shortfall.

Expense-based recommendations

1. Since most override scenarios do not fully address projected FY27 deficits, the Town and Schools will need to address any deficits through effective cost management. This should be done strategically and with fiscal discipline to ensure the efficient delivery of services across schools, the senior center, libraries, and all town departments, so essential services support the broad range of community members.
2. Work with the state Division of Local Services' auditing services to ensure fiscal transparency and efficient use of funds

Revenue-based recommendations

1. The most immediate revenue opportunity is to recommend an override. The BTF has considered 3-, 6-, 9-, and 11-million-dollar options. During the decision-making process, the BTF prioritized the \$11 million option over five years, which appears to maintain current service levels and minimize reductions over the next five years, thereby providing time for new growth initiatives and revenue to offset the homeowner property tax burden. However, the BTF does recognize the financial burden this will place on people and recommends weighing additional factors such as:
 - a. The clarity and simplicity of what the Town will be asked to vote on. Many residents are confused and uncertain about what they will be asked to vote on and would like clear, concise explanations
 - b. The dollar amount that South Hadley taxpayers are willing to support, and affordability. Since many people at Listening Sessions raised both affordability and the rising costs of nearly everything, it is essential to consider the financial impact on all voters.
 - c. The duration of the override. Each scenario lists the number of years the Town should raise the tax levy and the amount to be raised each year. For each scenario, the override serves as a bridge to a point at which the Town and Schools achieve improved revenue, new growth, and better state funding

- models. Part of the decision about what appears on the ballot will need to account for the time required for these additional recommendations to take effect.
- d. The Town will hold a vote in the coming years on whether to support the construction of a new Mosier School. That will require a debt exclusion vote.
 - e. That **one-third of the survey respondents would not support any form of override**
 - f. If the vote fails, it will be devastating to the Town and Schools. There will be **significant eliminations** to both the Town and Schools budgets, further compounding the problems South Hadley currently faces.
2. Additionally, the Town should examine new fees and fines. All fees should be compared to market rates and adjusted to improve revenue where possible. In the future, fee increases should reflect inflation and competitive comparisons. In our department, the Town can enforce the False Burglar Alarm bylaw, for example. The Town should also consider increasing taxes or fees on vacant buildings to improve Zoning Enforcement. At a December Listening Session, a suggestion was made to increase penalties on vacant or abandoned properties to discourage their maintenance. There is limited inventory of these properties in town, but higher fees/penalties could boost revenue.
 3. There have been multiple recommendations to consider **payments-in-lieu-of-taxes (PILOT) programs**. Since the Town does not currently have a PILOT program, there are limited opportunities to impact the FY27 budget revenues. Given the number of nonprofit-owned properties in the town, it is crucial to develop a program to support the Town. Once the program is created, it is important to strategically review the exempt parcels report to identify the greatest initial impact. **In the immediate future, this could include discussions with Mt. Holyoke, SHELD and the Gaylord Library Trust.**
 4. **Review the School Choice deficit.** The current deficit is resulting in a \$3.1 million expense to the Town. The BTF recommends reversing the School Choice to better support the overall budget. Schools should research why students and families are Choosing out, as recommended by many.
 5. Finally, for short-term revenue recommendations, the Town **works with IGM to improve marketing and drive revenue**. Specifically, IGM should review competitive pricing and increase marketing efforts to drive higher revenue.

Growth-based recommendations

1. There are limited opportunities for short-term growth (business and housing development) in the upcoming FY27 Budget, but the BTF recommends initiating strategic planning to better support economic development.
2. Internally, the Town should better coordinate efforts and resources across departments, mobilize community resources to support business and community investment, and collect data to assess local strengths and weaknesses. These efforts could include identifying new business and housing development opportunities, assessing infrastructure needs to support them, and identifying available grants to support the town's economic development.
3. Externally, it will be important to strengthen relationships with the SH/Granby Chamber of Commerce and other organizations, such as the Western Mass Economic Council and the Pioneer Valley Planning Commission. Strategic partnerships with these organizations will be important for future long-term growth.

Advocacy-related recommendations

1. There are many partners with whom the town should continue collaborative and advocacy efforts. The first recommendation is to **continue collaborating with state and federal legislators** to secure increased municipal aid and relief from unfunded mandates, particularly measures with an immediate impact on the FY27 budget. This advocacy should apply to the Schools, as they could benefit from state funding formula reform currently under discussion at the legislative level, particularly regarding **Special Education Funding and Charter Choice**.
2. The BTF also recommends continued collaboration with the two water and fire districts to identify ways to address the shared impact on South Hadley taxpayers. Through the Shared Services Report, the two water and fire commissions have identified ways to reduce costs, expand services, and improve collaboration to support Town needs.

Medium-term Recommendations - 2 - 5 Year

Medium-term recommendations support the budget process for the next 2-5 years **(through the FY31 budget)**. Even with a positive override vote in April, the Town will face **challenges balancing the budget due to inflation, state-level funding, and unforeseen needs**. The override can be considered a bridge until the town receives greater revenues from non-residential property taxes or state and federal funding formulas benefit the town and schools.

Operations/Expense-related recommendations

1. The primary recommendation regarding expenses is to maintain **fiscal discipline across the Town and Schools**. Good schools and town services combine to create a vibrant, sustainable, and welcoming community that serves all citizens. Tax-payer revenue must be used efficiently and effectively, which requires strong fiscal leadership from the Selectboard, School Committee, Appropriations, Capital Planning, and the Planning Board.
2. The Town should build on current efforts and create a Health Insurance Oversight and Strategy Plan to better monitor health insurance costs and their impact on Town finances. It should continue to actively engage as a member of the Hampshire County Group Insurance Trust Board and regularly evaluate alternative options, such as GIC, MIIA, or a self-insured plan, to serve the best interests of the South Hadley community.
3. Where possible, the Town should **research and invest in technology and process improvements to modernize operations**. This could include allocating resources to technology, tools, and training designed to streamline and automate administrative and operational processes and enhance efficiencies.
4. The Town should conduct additional financial audits and, as needed, work with the state Division of Local Services' auditing services to ensure sound financial management practices.
5. The Town will need to develop a Succession Plan Optimization strategy to ensure the efficiency and continuity of services. Based on BTF focus groups with department heads, several staff members nearing retirement age will leave with significant institutional knowledge. The SPO strategy involves collaborating with the Department of Labor Services and conducting efficiency studies to review and revise position descriptions, ensuring staff roles prioritize proactive, strategic work that enhances efficiency and creates long-term impact.
 - Future positions to consider to support financial and economic management
 - **Finance Director**
 - **Economic Development Director**

Although we haven't yet seen the full impact of the new special education transportation vans for the Schools, we expect to exceed the originally projected \$600,000 in savings.

The BTF recommends further examining cost-effective solutions across the entire transportation budget.

Revenue-based recommendations

1. **The BTF recommends increasing Grant revenue to support better schools and local programs.** Because grants are revenue-neutral and restricted to specific programs, they must be aligned with strategic goals. New grants should not create unfunded long-term costs. For this reason, the town should focus on **increasing grants to support 1) economic development improvements and 2) school programming and supports**
2. The Town should initiate a South Hadley **PILOT Program by FY 28.**
3. The BTF recommends that the Schools explore all options to reduce Choice expenses and examine programs and further opportunities to become choice-positive.
4. In three years, both the debt service and the current contract with IGM will end. The BTF recommends that **ongoing strategic planning** continue with an emphasis on increasing revenue and broader community engagement to better maximize the space for South Hadley residents.

Growth-related recommendations

1. The Town must develop an Economic Development Plan and allocate resources to expand the business tax base to reduce pressure on the homeowner tax burden. The purpose of the EDP is to make South Hadley more attractive to new businesses and housing development. It supports proactive economic development initiatives that attract new businesses, drive growth, and maximize revenue. The EDP should support the examination of incentives for investment in its redevelopment and growth to encourage capital investment in economic development. This can include diversifying manufacturing, housing, and professional spaces. This could also mean hiring an Economic Development Director.

Advocacy/Community-building recommendations

1. The BTF recommends **continued advocacy for improved state funding models for Western Mass communities at both the school and town levels.** Additionally, support for the **Municipal Empowerment Act and ongoing review**

of state school funding formulas should be priorities. The state should fully fund charter schools and transportation reimbursements.

2. The Town should continue to build on its good relationship with the Fire/Water Districts and expand on the Shared Services Report. There is a significant misunderstanding by residents regarding 1) why there are two districts in the first place and 2) how these separate districts impact taxation and fees. This is not about recommending a merger, increasing shared services, or doing nothing. Instead, **it is a recommendation to identify opportunities to make tax impacts on community members more efficient and transparent, and to identify solutions in the town's best interests.**

Long-term Recommendations - 5+ YEARS

Long-term recommendations are those that impact decisions after the FY31 budget. **These are general recommendations to maintain fiscal discipline, diversify the tax base, and improve growth to ease the tax burden on homeowners.** These recommendations may be outdated by 2031, so rigorous evaluation and adaptation are imperative to ensure success. The Town must remain transparent and open to input, as necessary for the success of South Hadley.

Expenses-related Recommendations

1. During BTF department discussions, **regionalization of services was discussed**, particularly regarding police, schools, and DPW. Regionalization efforts in other communities have yielded mixed results. While most have discovered some efficiencies, they have come at high political costs or difficulties. It is difficult to predict whether this will remain the case in 5 or 10 years, so it is important to maintain ongoing communication with surrounding communities to address any opportunities that may arise. The BTF is not recommending regionalization; it only recommends continuing to explore and maintain communication with nearby communities.
2. As the BTF has recommended throughout, the **Town and Schools must operate with fiscal discipline**. We recognize that staff reductions impact programs and services important to residents and the Town and Schools should continue their important collaboration that assures the residents that decisions are made in the best interests of the entire town. Audits are recommended where feasible.

3. For this purpose, it is advisable to proceed with the ongoing **Efficiency Studies to identify both staff and technological requirements that yield the greatest cost-effectiveness** impact on the municipality.

Revenue-related Recommendations

1. Continue to **advocate for better funding models from the state** for Western Mass communities and annually review new fees and fee structures. Depending on what has changed or not changed since this report was generated.

Growth-related Recommendations

1. Continue to **build on medium-term recommendations. It will be important to annually evaluate the progress of the home and economic development initiatives and adapt as the economic, political, and infrastructural change in the future.** Regardless of changing conditions, the goal should remain to diminish the tax burden to homeowners and diversify growth.

Conclusion

The BTF recommendations are founded on our current understanding of the issue and the analysis undertaken since July 2025. Once again, there is no single solution to the Town's fiscal circumstances; therefore, the Town should implement a multifaceted, multi-year strategy to achieve financial stability. All recommended actions selected by the Town must be systematically and diligently assessed and adjusted in response to ongoing economic and political developments or trends in complete transparency. The priority must be the long-term health and vitality of the Town of South Hadley.

Additional, detailed documents regarding Findings and Recommendations are available at <https://www.southhadley.org/1504/Budget-Task-Force>