Public Policy Forum

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Budget Brief Summary:

2016 Proposed Budget

Milwaukee Public Schools

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Introduction

In our 2012 analysis of the Milwaukee Public Schools' (MPS) fiscal condition, the Public Policy Forum cited MPS' overwhelming reliance on state funding – as well as its susceptibility to financial harm from changes in state education policy – and asked "whether any entity could be expected to effectively manage a fiscal predicament as challenging as that faced by MPS in an environment that is plagued with such uncertainty."

It is noteworthy, therefore, that a key story line of the MPS Superintendent's proposed 2016 budget is the district's ability to successfully navigate that uncertainty, at least for the near term. A possible $12 million cut in state aids – and an even larger cut in federal aids – are absorbed without significant impacts on existing staffing levels and services. Indeed, while many other districts around the state have been preparing for possible state revenue reductions and identifying the kinds of programs and expenses they will have to cut in the coming year, MPS has proposed a budget with *new* initiatives and *new* positions.

For example, the budget proposes a 1.6% salary increase for most staff, 39 new school-based positions, increased funding for reading and math interventions and afterschool activities, a new administrative unit for high schools, and a series of smaller program enhancements. While these do not represent the scope of investments that most school officials would desire to improve the district's educational outcomes, they stand in stark contrast to the cuts proposed in many previous budgets.

That is not to say that MPS' revenue challenges are not daunting. Budgeted revenues for school operations decrease by more than $11 million and total revenues by $29 million. Yet, MPS endures these projected revenue reductions – which are likely to be ameliorated somewhat based on recent action by State lawmakers – by managing savings generated in the current fiscal year in a manner that provides sufficient cushion for 2016.

The savings result from the transformation that has occurred in MPS' finances, operations, and personnel over the past five years due to the restructuring of its fringe benefits. The district has reduced annual fringe benefit costs by more than $100 million since 2011, and has reaped additional financial gains from a turnover in staff from older to younger employees. Even going forward, total expenditures are not projected to rise beyond an inflationary amount despite the anticipated resumption of annual health care cost increases.

The relatively tranquil nature of the 2016 budget should not mask the precarious nature of MPS' overall fiscal outlook, and its continued heavy reliance on the State. Indeed, the district's five-year forecast shows that without adjustment to current state-imposed revenue limits and further efforts to trim expenditures, MPS would face a deficit of $114 million in 2020. Hence, the ability of school officials to expand investments in successful programs and enjoy similar ability to cushion state aid cuts in future budgets appears uncertain.

In the pages that follow, we provide more detailed analysis of the major changes in revenue and expenditures in the 2016 proposed budget, and the manner in which MPS has responded to recent challenges. Our objective is to provide an independent assessment of the district’s immediate fiscal circumstances – as well as its long-term outlook – that will encourage informed deliberations by policymakers in Milwaukee and Madison.