BUDGET BRIEF:
2017 PROPOSED BUDGET

MILWAUKEE PUBLIC SCHOOLS

PUBLIC POLICY FORUM

Budget Brief:

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Milwaukee Public Schools

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Introduction

In last year's analysis of the proposed budget for the Milwaukee Public Schools (MPS), the Public Policy Forum remarked upon the improvement in the district's short-term fiscal stability. Yet, at the same time, we warned that "whether MPS can maintain and achieve both stability and the capacity to make strategic programmatic investments still is questionable, and still is largely contingent upon decision-making at other levels of government."

The MPS Superintendent's proposed 2017 budget, at first glance, appears to refute that warning. The budget contains a variety of investments in strategic plan initiatives and activities, including expansion of summer school and English as a Second Language services, "bridge" programs for ninth graders, an increase in Advanced Placement and International Baccalaureate programming, and free driver's education. It also adds 183 positions, is able to allocate $12 million for salary increases, and invests in additional elements of the Regional Development Plan.

Curiously, these investments are proposed despite continued revenue challenges. District revenues decline by $1.3 million, which constitutes a minimal 0.1% in a $1.2 billion budget, but which would seemingly preclude MPS' ability to invest in strategic plan initiatives, let alone accommodate inflationary increases in its fixed costs. Furthermore, a source of fiscal salvation in previous budgets – the decline in health care costs generated from health plan redesign and other changes – appears to have run its course, with overall fringe benefits spending projected to grow by $3.3 million in 2017.

So where did the wherewithal to invest in strategic initiatives come from? The answer lies largely in internal reallocation. Most notably, the 2017 proposed budget reduces by $31.2 million the contribution to reserves for retiree liabilities, thus freeing up an equivalent amount for investment in other budget priorities. It also transfers $8.5 million in property tax revenues from the construction fund to school operations. As a one-time maneuver, that move is not expected to reduce the district's capacity to address infrastructure challenges, and it would provide additional resources for the classroom.

The good news is that MPS' ability to invest in initiatives identified through strategic planning that hold promise to improve academic achievement and stem the loss of enrollment is maintained in the proposed budget. The bad news is that future-year challenges may be exacerbated, as the use of internal reallocation strategies may be more difficult to achieve in future years, and the $8.5 million transfer from the construction fund must be reversed. In fact, we project that MPS' expenditures may exceed continuing revenues by nearly $40 million heading into 2018.

In the pages that follow, we provide more detailed analysis of the major elements of the 2017 proposed budget, and the strategies the district is proposing to accommodate programmatic objectives within the confines of its continued fiscal 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.