



# WISCONSIN POLICY FORUM

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## **Opportunity and Uncertainty: A Look at the 2022 Budgets of Milwaukee, Madison Schools** *Federal aid, referenda boost finances; Enrollment decline, pandemic impacts are challenges*

The finances of Wisconsin's two largest school districts are stronger than expected as they begin to grapple with their 2022 budget, thanks to federal relief funds and voter approval of referenda allowing them to exceed state revenue limits, according to a new report from the Wisconsin Policy Forum.

But sizable challenges still confront the Milwaukee Public Schools (MPS) and Madison Metropolitan School District (MMSD) as they emerge from the pandemic. These include grappling with significant enrollment declines and addressing potential student learning loss, social and emotional challenges, and educational disparities that may have been exacerbated by remote learning and the pandemic more broadly.

"The true state of the districts' position and finances ... may not be revealed until there is greater knowledge of ongoing student enrollment and student needs," the report finds.

The report examines proposed fiscal year 2022 budgets for MPS and MMSD that recently were submitted to their respective school boards – even as several unknown or uncertain factors remain. Those include final state aid and revenue limits set within the next state budget, final guidance and decisions on federal aid, and the future trajectory of enrollment in both districts following declines last fall.

Given that this could lead to more changes for the district budgets, this year the Forum altered its typical approach of producing individual budget briefs for MPS and MMSD – opting instead to analyze both in a single report. As such, this combined budget brief focuses on broad issues the two budgets have in common. We also constructed this report to include insights that hopefully will be germane to other large districts throughout Wisconsin.

Key observations include:

- **Factoring in federal aid:** As we noted in previous research, public and private K-12 schools in the state will receive nearly \$2.7 billion through 2024 from three major federal relief packages. MPS and private schools in its area so far are expected to receive \$797.8 million while MMSD is expected to receive \$70.7 million. A key challenge will be prudently managing this historic influx in a way that will address pressing needs but not create gaping holes in future budgets when the funds are exhausted.
- **MPS' federal spending plan comes into focus:** The MPS superintendent has proposed a spending plan for \$343 million of the more than \$700 million in federal relief funds that have yet to be used as a supplement to the budget. Most of these dollars, nearly \$200

million, would go to facility improvements such as upgrading ventilation and mechanical systems. Our analysis finds the vast majority of funding would go to uses that are one-time in nature and would yield future academic dividends while also providing some long-term fiscal relief.

- **MMSD's relief spending plans still in flux:** MMSD received about \$9 million from the federal CARES Act signed in March 2020, and ended up spending \$15.9 million on COVID responses in the 2020 and 2021 school years. The district will release some details on the remaining federal funds next month but for now has not announced specific plans for the roughly \$60 million it is expected to receive and use through 2024.
- **MMSD still able to invest without federal dollars:** The proposed budget projects only modest growth in revenues and a slight drop in operating spending, though this does not factor in at least \$19 million in federal pandemic revenues for 2022. Within this framework, the district would be able to provide a raise to staff and new investments to close achievement gaps, though due to enrollment decline, staffing would be cut to its lowest level since 2013.
- **MPS able to preserve central office support:** The past several MPS budgets have sought to keep schools whole while turning to the district's central service operations for cuts when they are needed. The 2022 budget increases central office spending by \$2.1 million (1%). While the budget currently shows a reduction across all funds in funding for schools, school budgets are expected to be replenished once federal relief funds are allocated.
- **MPS referendum supports compensation changes:** Our analysis finds that under the proposed budget, more than half of the additional \$134 million in excess revenue limit authority authorized by the April 2020 MPS referendum would support changes to the district's salary and benefits structure, most of which were adopted before the referendum's passage. This move enables the district to address the fundamental challenge of attracting and retaining staff talent, but the magnitude of dollars needed to support the teacher compensation changes suggests possible conflict with other referendum-related priorities.
- **Enrollment shifts will have a fiscal impact:** A statewide school enrollment decline of more than 25,000 students (2.9%) in 2021 was by far the largest in at least a decade, and likely much longer. The impact in Milwaukee and Madison schools was similar on a percentage basis. Since state aid and revenue limit amounts are linked in part to student enrollment, a key question now is the extent to which these declines may or may not reverse as the pandemic recedes.

[Click here to read the report: "Opportunity and Uncertainty: An Early Look at the 2022 Budgets of Wisconsin's Two Largest School Districts."](#)

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