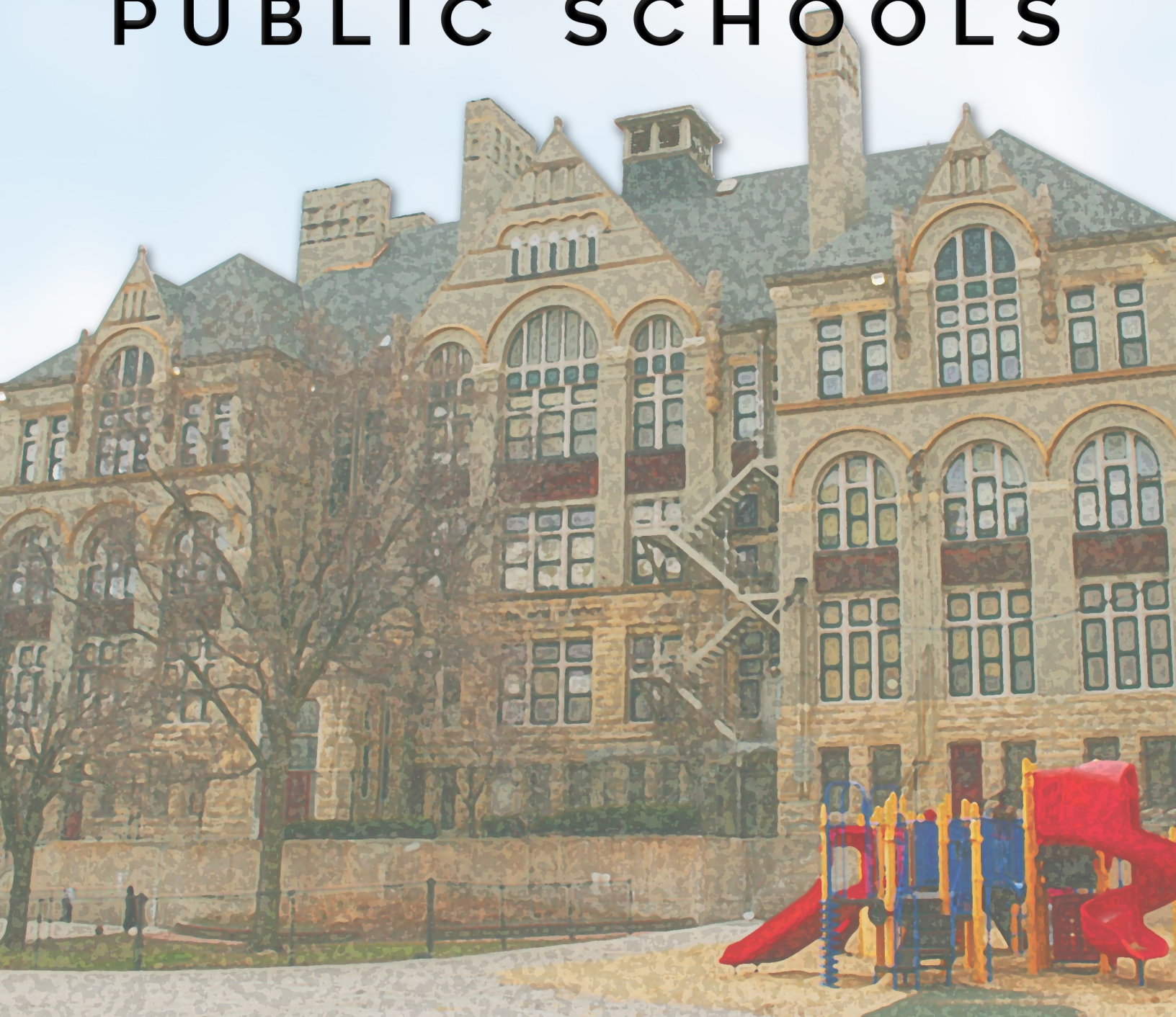


BUDGET BRIEF:

2026 Proposed Budget

MILWAUKEE PUBLIC SCHOOLS



WISCONSIN

POLICY FORUM



BUDGET BRIEF:

*2026 Proposed Budget
Milwaukee Public Schools*

June 2025

Report Authors:

Rob Henken, Immediate Past President
Tyler Byrnes, Senior Research Associate
Ashley Fisher, Senior Research Associate

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We would like to thank the Greater Milwaukee Foundation and Northwestern Mutual Foundation for their generous support of our education research.



This analysis of the Milwaukee Public Schools’ 2026 proposed budget refers to the budget recently submitted to the Milwaukee Board of School Directors by the Milwaukee Public Schools superintendent. The budget covers the school district’s 2026 fiscal year, which takes effect on July 1, 2025, and runs through June 30, 2026. Also, it should be noted that while the School Board will adopt a tentative budget later this month and the fiscal year will begin in July, the budget will be revisited by the superintendent and board in the fall after the district receives final aid amounts from the State of Wisconsin. A final property tax levy amount for 2026 also will be established at that time.



INTRODUCTION

The list of challenges facing new Milwaukee Public Schools (MPS) superintendent Brenda Cassellius when she arrived in March certainly was daunting. First and foremost was the academic performance of MPS students, whose [scores on standardized tests](#) reveal alarmingly low levels of proficiency in math and reading and lag almost all other large urban districts nationally. In addition, she inherited a dysfunctional administrative infrastructure that, according to a state-ordered [operational review](#), “hinder(s) the district’s ability to drive student success.”

Also topping the list was a financial structure that makes the district highly dependent on decisions made 90 miles away in Madison and that, over time, has failed to provide increases in overall revenues that have kept pace with inflation. This particular challenge led MPS leaders to propose a pair of successful voter referenda in 2020 and 2024 that provided vast sums of additional resources, which they argued were vital to maintaining competitive compensation for teachers and sufficient programming in areas like career and technical education, art, and music.

The superintendent’s first budget begins to put her imprint on the organizational challenges she inherited while also using increased revenue authority provided by the 2024 referendum to delay many difficult decisions on facilities and staffing that appear inevitable. Her 2026 proposed budget holds the line on overall staffing levels (adding about 21 positions district-wide) and per pupil school spending, grants a 2.95% cost-of-living adjustment to district workers, and makes enhanced investments in the district’s facilities. The budget also reflects her plans for redesigning several central offices and fortifying her top-level management team, and it makes changes to the budget document that demonstrate a new commitment to transparency.

A key factor in the avoidance of position and spending cuts is the influx of \$51 million in revenue above state caps from the second year of the 2024 referendum’s phase-in. While final state aid figures won’t be determined until the fall, the budget assumes the entire revenue increase afforded by the referendum will come from state aids, thus sparing district property taxpayers.

The lack of considerable budget pain in 2026, however, should not mask the severity of MPS’ longer-term fiscal challenges, which are likely to emerge with greater intensity as soon as 2027. Not only will the positive impacts of the referendum begin to wane, but the district has balanced its budget in each of the past three years on the back of its hundreds of vacant positions, including a \$76 million savings attributed to vacancies and position turnover in the 2026 proposal. The likely unsustainability of that approach – coupled with the uncertain outcome of state budget deliberations – reinforces the precarious nature of MPS’ temporary budget calm.

In the pages that follow, we provide greater detail on how the proposed budget is balanced and how key decisions will impact students, staff, and taxpayers. Overall, our aim is to provide an independent assessment of MPS’ 2026 budget that will encourage informed deliberations by school board members and shed greater light on the overall financial state of Wisconsin’s largest school district.



BUDGET OVERVIEW

In last year's MPS budget brief, we cautioned readers that the proposed budget documents did not contain sufficient information and explanation for us to conduct the type of thorough analysis that we had performed in previous years. This year, we feel compelled to also issue a qualifier, albeit a much milder one.

The main budget document – a 47-page budget summary – is much more straightforward than previous iterations and vastly improves the district's explanations of budgeting mechanics and its different funds and offices. However, it includes very little narrative to cite and explain key decisions and offers little to no explanation for large swings in major spending and revenue categories.

Also, while not the fault of current officials, the 2026 proposed budget does not include information on fund balances given the continued delays in completing prior year audits, which limits our ability to assess the impacts of several important proposed budget decisions and hampers our assessment of the district's long-term outlook. We are also unable to conduct as much historical trend analysis as we would have liked because neither the 2024 final adopted budget nor audited financial statements past 2023 are available on MPS' website.

There is, of course, a set of important extenuating circumstances that help explain any shortcomings in the presentation of this year's budget. The district's financial offices were decimated by several key resignations last year in the wake of the controversy that arose from its failure to submit audited financial reports to the state and its misreporting of expenditures from previous years. Those resignations came on top of an already alarmingly high number of accounting and budget vacancies.

While most vacancies reportedly have now been filled, financial staff are still working to update the district's accounting systems and still struggling to meet state deadlines as they continue to clean up inadequate accounting from previous years. Consequently, it is understandable that the proposed budget documents are not as comprehensive as might otherwise have been expected, but we would urge MPS officials to address that shortcoming in future years and we commend them for the positive steps taken to achieve greater transparency in this year's version.

Below, we provide a synopsis of the major revenue and expenditure items that characterize MPS' 2026 proposed budget. More detailed analysis of key budget items is provided in later sections.

Overall Revenues

The proposed budget for 2026 shows a \$61.9 million (4.2%) increase in total revenues when compared to the 2025 adopted budget. The increase stems mainly from the second year of a four-year phase-in of the 2024 referendum that allows the district to exceed state-imposed revenue limits by \$252 million by the 2027-28 school year. Excess revenue authority of \$140 million was granted in the 2025 budget, and an additional \$51 million is available for 2026. This excess revenue authority comes on top of an assumption that the state revenue cap will increase by \$325 per pupil in accordance with a new policy established by the governor in the 2023-2025 state budget.

As shown in **Table 1** on the following page, revenues to support the school operations fund – which is the fund most directly related to instructional activities – would also see a 4.2% increase, growing



\$48.6 million from \$1.16 to \$1.21 billion. This allows MPS to hold the line on per pupil funding to schools and add 46.6 full-time equivalent (FTE) positions to school operations.

The school operations increase is partially offset by a \$27.0 million (13.3%) reduction in the categorical fund, which houses state, federal, and local grants and aids that are earmarked for special purposes and targeted student populations. The cut results in part from an assumed \$11.1 million reduction in federal categorical aids given the expiration of certain grants and an expectation that budget cutting in Washington may diminish future grant opportunities. The reduced federal projection does not include a cut in the district’s major source of federal categorical aids (the Title I program), as those dollars appear safe for 2026 but may be subject to a substantial reduction in 2027. Another cause of the decrease is a \$14 million reduction in local categorical grants (from \$16.4 million to \$2.4 million) – budget officials say the 2025 budget overestimated this amount.

Table 1: MPS revenues by fund, 2025 vs. 2026 (in millions)

Fund	2025 Budgeted	2026 Proposed	2025 to 2026 % change
School operations	\$1,164.3	\$1,212.9	4.2%
Categorical	\$202.7	\$175.7	-13.3%
Construction	\$18.5	\$2.7	-85.7%
Nutrition	\$60.1	\$62.7	4.4%
Extension	\$37.6	\$39.4	4.7%
Debt	\$3.8	\$27.8	636.1%
Long-Term Capital Improvement Trust	0	\$27.8	NA
Total	\$1,487.1	\$1,549.0	4.2%

Source: MPS 2026 proposed budget

Also noteworthy is an appropriation for the Long-Term Capital Improvement Trust, a fund that was created in 2015 but is being established as a separate fund in MPS’ budget presentation for the first time. This move also has an impact on the construction fund, which would see a \$15.8 million (85.7%) decrease to \$2.7 million and elimination of its property tax levy support. The construction fund finances maintenance and repairs of MPS buildings and received \$14.4 million of property tax levy in the 2025 budget in accordance with a school board-approved budget parameter that prioritized restoring funding for facility maintenance and repairs.

In the 2026 proposed budget, the Long-Term Capital Improvement Trust is used to enhance that objective. The fund houses resources for capital improvements to facilities, fleet, and equipment in alignment with DPI accounting practices. The budget appropriates \$27.8 million to the trust as part of an effort to intensify work on deferred maintenance, including lead-related repairs. See **Key #3** for a more detailed analysis of the capital trust fund.

Meanwhile, use of the capital trust eliminates some repair and maintenance costs from the construction fund, which partially explains the reduced revenues allocated to that fund. The budget also shifts the property tax levy provided in 2025 for the construction fund to school operations. Budget officials say those resources will be used to support new staff positions to further lead remediation efforts.



The proposed budget also includes an operating transfer from school operations to the debt fund and establishes that fund as a separate fund in the budget. Like the capital trust, this move is intended to better align the district's accounting practices with DPI practices. The district's budgeted payment for the debt fund to service its long-term promissory notes and debt is \$27.8 million in 2026, which is a reduction of \$9.5 million (25.5%) from the budgeted 2025 debt service payment.¹ This is a bright spot in the 2026 budget as it frees up additional monies for schools and other priorities; according to budget officials, this reduced level of debt service should be sustained in future budgets, at least in the near term.

Finally, while the extension fund would see only a modest change in its total revenues (an increase of \$1.8 million, or 4.7%), there is a more important story regarding its property tax levy allocation. The extension fund pays for recreational activities and other MPS services that benefit the district's entire population, and not just its students. In the 2024 budget, district leaders unexpectedly increased the extension fund's property tax levy by \$77.7 million (to \$112.4 million), largely to finance a new community recreational center on the city's north side that has received little public discussion.² In the 2025 budget, part of the sizable fund balance that had been built in the extension fund because of this maneuver was used to finance that year's recreational activities, allowing the district to reduce the fund's levy to \$18.9 million. The superintendent's proposal would add \$19.5 million in levy to the extension fund to restore property taxpayer funding for recreation to a more traditional level.

Property Taxes and State Aids

The total proposed property tax levy for 2026 increases by \$9.8 million (2.4%), from \$414.3 million in 2025 to \$424.0 million in the proposed budget. This relatively modest increase would appear to be welcome news given the \$51 million in added revenue authority from the 2024 referendum, which would have suggested that the overall levy increase may have been appreciably higher.

However, projected increases in state general school aids eliminate the need to use more levy for school operations. Instead, the overall increase is almost entirely attributed to the decision to levy an additional \$19.5 million for the extension fund, as discussed above and shown in **Figure 1** on the following page. School operations would see a \$2.8 million reduction in levy while, as previously mentioned, all levy is eliminated in the construction fund. A small portion of the levy (\$7.5 million) would be allocated to debt service.

MPS' annual property tax levy always is influenced heavily by the general school aids it receives from the state. More than 80% of the revenue supporting school operations comes from a combination of state general school aids and local property taxes, the total of which is capped by a per pupil revenue limit established annually by the state budget. Once the district's general aid amounts are determined in Madison, it can levy property taxes up to the amount remaining until it reaches the state's per pupil cap plus any extra revenue authority granted via referenda and other exemptions.

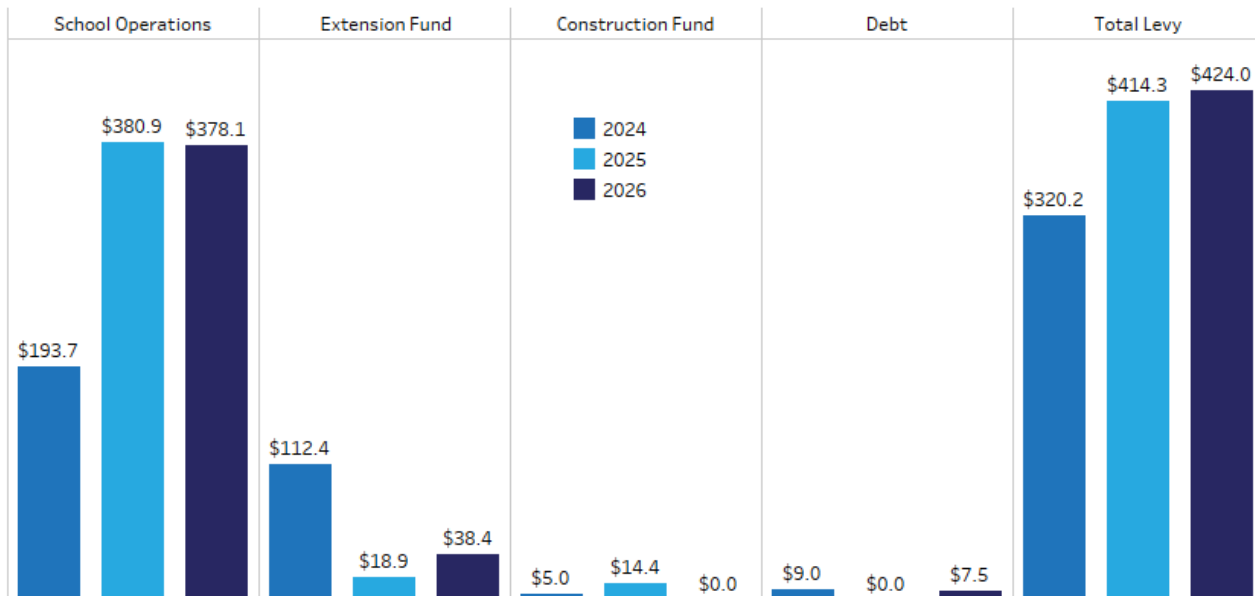
¹ **Table 1** shows a \$24 million *increase* in debt service revenues (from \$3.8 million to \$27.8 million), but that is a result of budgeting the operating transfer from school operations to the debt service fund; expenditures on MPS debt service are down by \$9.5 million as cited in the text.

² See our [brief on the 2024 referendum](#) for a more detailed explanation. This move was allowed under state law because the extension fund levy falls outside of state revenue limits.



Figure 1: Extension Fund Levy Drives Overall Levy Growth

MPS budgeted property tax levy by fund (in millions)



Source: MPS 2026 proposed budget

The proposed budget contains \$1.04 billion in combined general school aids and property tax levy, which is a \$69.7 million (7.2%) increase from 2025. Notably, the projected general school aids total would grow by \$72.5 million, while **the property tax levy dedicated to school operations decreases by \$2.8 million** to equal the \$69.7 million estimated to be available under state revenue limits. These estimates are critical to the proposed budget, but actual totals will not be known until the fall after a new state budget is adopted and the state calculates MPS’ revenue limit and aids totals based on several complicated formula-driven components. See **Key #1** for further analysis of the budget’s state aids and revenue limit estimates and their impacts on the overall budget.

The district’s enrollment estimates are also worth noting here, as enrollment plays an important role in the state’s aid calculations for districts. The budget estimates MPS’ total enrollment will decline in 2026 by 559 students (0.8%) – from 65,924 to 65,365. This would follow declines of 1.0% in 2025 and 0.6% in 2024 after three years of decreases ranging from 2.3% to 4.5% per year.

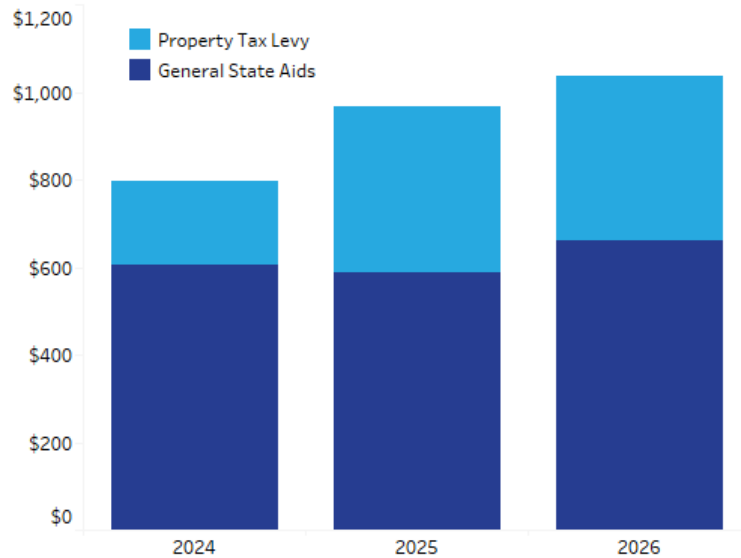
MPS leaders – over the past several years and across several superintendents – have cited the failure of the district’s revenue limits to grow in line with inflation as a key cause of its structural deficit and a key impediment to its ability to serve students at desired and appropriate levels. Our [research and analysis](#) have largely supported that premise, which is also cited by the new superintendent in the 2026 proposed budget.

However, as shown in **Figure 2** on the following page, because of the willingness of Milwaukee voters to allow the district to substantially exceed state caps, MPS has seen substantial growth in the school operations funding controlled by state revenue limits in both 2025 and 2026. The 7.2% growth in the 2026 proposed budget follows a 21.2% increase from 2024 to 2025 and again allows district leaders to avoid noticeable budget pain and even take some steps to prepare for tougher times in the future when the benefits provided by the referendum begin to wane.



Finally, the proposal conservatively estimates no change to two other major sources of state aid – state special education aid and other miscellaneous state aids. The 2026 revenue estimates for those two items stand at \$60.0 million and \$49.4 million respectively. Special education aid – which partially reimburses districts for costs incurred to meet the unique needs of students with disabilities and comply with state and federal law – has been a particular point of contention for MPS and other districts, who argue that the state is covering a smaller share of those eligible costs today than it was a generation ago.³ Actual 2026 aid totals for these two categories will be determined by the next state budget.⁴

Fig. 2: Healthy Growth in Key Revenues Post-2024 Referendum
Property taxes and general state school aids (in millions)



Source: MPS 2026 proposed budget

Expenditures

Table 2 shows how the budget’s \$61.7 million (4.1%) increase in total expenditures is allocated across broad budget categories. Increases in salary and wage expenditures comprise a little more than half of the overall increase. Those increases are linked, in part, to a proposed 2.95% cost-of-living adjustment (COLA) for all staff, as well as a salary step increase for all employees. The budget also adds 21.3 FTEs district-wide.

Table 2: MPS expenditures by category, 2025 vs. 2026 (in millions)

Expenditures	2025 Budgeted	2026 Proposed	2025 to 2026 Change
Salaries & Other Wages	\$621.6	\$656.3	\$34.7
Benefits	\$342.9	\$355.9	\$13.1
Purchased Services	\$365.9	\$376.6	\$10.7
Supplies	\$95.2	\$87.0	-\$8.2
Equipment	\$8.8	\$10.0	\$1.1
Other	\$52.9	\$63.1	10.2
Total	\$1,487.3	\$1,549.0	\$61.7

Source: MPS 2026 proposed budget

³ In our [analysis](#) of the 2024 referendum, we noted that MPS’ state reimbursement rate was 31.5% of its special education costs that year, down from 44.6% in 2004. The 2026 budget cites a 2025 special education reimbursement rate of 29.2%.

⁴ Because of continued delays in MPS’ financial reporting to the state, the Department of Public Instruction has withheld \$42 million in state aids (mostly special education aid) from the district. In a recent [Milwaukee Journal Sentinel article](#), MPS officials say the district will be able to recoup the funds when it submits the required reports. For the purposes of this report, we assume that will indeed be the case and we do not discuss impacts of a possible permanent loss of those funds.



The proposed COLA for 2026 follows a 4.1% COLA for all staff in 2025 and an 8.0% COLA in 2024. Salary expenditures have jumped by \$52.1 million (9.1%) when comparing 2024 actual expenditures to the proposed 2026 amount. These salary increases place fierce pressure on the annual budget given MPS’ traditional revenue challenges, but MPS leaders have argued they are necessary to account for the impacts of inflation and to allow the district to successfully compete for teachers in an extremely tight labor market.

Meanwhile, the district has seen fringe benefit costs grow more modestly – by \$13.1 million (3.8%) in the 2026 proposed budget and \$16.2 million (4.8%) when compared to actual 2024 expenditures. District-wide, \$221.5 million (63.3%) of the \$350.1 million in proposed fringe benefit costs for 2026 are attributed to employee and retiree health, dental, vision, and prescription benefits, while expenditures totaling 67.0 million (19.1%) are dedicated to pension costs.

A key feature of the 2026 proposed budget – as in the previous two years – is its reductions in total salary and benefits expenses through sizable adjustments to account for vacant positions. In the 2026 proposal, savings of \$75.9 million are budgeted for vacancy and turnover, which is an increase of \$1.6 million from the adjustment in the 2025 budget. Budget officials say this huge adjustment reflects the difficulty MPS faces in filling its vacant positions as well as the high level of turnover it sees; they contend that the district’s budgeted positions are, for the most part, positions the district *would* fill if it were able to, despite reduced enrollment. They acknowledge this is not an ideal budget practice and say reducing vacant positions is a key priority going forward (see **Key #2** for a more detailed discussion of position actions and vacancies).

Table 3 shows that the budget provides 56% of its proposed spending increase to schools (\$34.6 million) and 44% (\$27.1 million) to central offices. It is important to note that while these offices include several administrative and operational functions like facilities maintenance, security, human resources, and finance, they also focus on district-wide academic functions including multilingual and multicultural education, college and career readiness, and research and assessment.

Table 3: MPS expenditures on schools and offices, 2025 vs. 2026 (in millions)

Expenditures	2025 Budgeted	2026 Proposed	2025 to 2026 % Change
Schools	\$848.1	\$882.7	4.1%
Offices	\$639.2	\$666.3	4.2%
Office of Operations	\$283.4	\$301.4	6.4%
Office of Academics	\$139.8	\$146.4	4.7%
Office of Families, Communities, & Partnerships	\$46.7	\$49.3	5.6%
Office of Schools	\$28.8	\$31.7	9.8%
Office of Human Resources ⁵	\$52.5	\$27.6	-47.3%
Office of Finance	\$15.2	\$17.0	11.7%
Other	\$72.8	\$92.9	27.6%
Total	\$1,487.3	\$1,549.0	4.1%

Source: MPS 2026 proposed budget

⁵ The sizable decline in expenditures for the Office of Human Resources is attributed by budget officials largely to the removal of a special account related to employee compensation from that office in 2026.



Per pupil funding for schools stays flat at \$5,000 per pupil in the proposed budget, which means school leaders must find ways to absorb higher salary costs for each of their existing positions resulting from COLAs and step increases and increased fringe benefit costs. Budget officials say their ability to do so should be eased by their ability to continue to refrain from filling vacant positions.

MPS offices and centrally funded school supports such as library, art, music, and special education *would* receive funding boosts for each position to accommodate salary and benefit changes and also would undergo some significant structural changes per the proposed budget (see **Key #4** for additional details). Two such changes are the creation of an Office of Families, Communities, and Partnerships to create stronger partnerships with external stakeholders; and a Department of Legal and Labor Relations to focus on district-wide legal support and remove that responsibility from the Office of Human Resources.

There are also some notable increases in central office spending, including an additional \$18 million (6.3%) for the Office of Operations, in part to expand facilities work; and \$6.6 million for the Office of Academics, which oversees MPS' academic strategy and instructional quality. The Office of Finance also receives an additional \$1.8 million (11.7%) and four additional FTEs as the district continues its efforts to modernize its accounting systems and respond to recommendations of outside auditors and state regulators.

Summary

This broad overview of district revenues and expenditures conveys **a relatively stable budget scenario for 2026**. The district sees an ample (4.2%) increase in overall revenue, providing opportunity to mostly avoid painful cuts to schools, shore up some central office functions, and provide inflationary cost-of-living salary adjustments to staff. Meanwhile, property taxpayers are shielded somewhat by a favorable state aids estimate.

The continued reliance on nearly \$76 million in vacancy and turnover savings clouds the longer-term outlook, however, as does continued uncertainty over how MPS will actually fare in state budget deliberations and the recognition that the immense financial benefits reaped by the 2024 referendum already have begun to dissipate. We provide additional analysis of key budget decisions and the district's structural challenges in the pages that follow.



KEYS TO UNDERSTANDING THE 2026 PROPOSED BUDGET

Key #1: State Aid Estimate Cushions Referendum's Impact on Taxpayers but Extension Fund Levy Doubles

As discussed above, two key drivers of the relatively calm nature of the 2026 proposed budget are state aid and revenue limit assumptions and their juxtaposition with the continued phase-in of the 2024 referendum. The combined impact of the two not only allows district leaders to avoid painful spending and position reductions in 2026, but the way they interface in the proposed budget also proves beneficial to property taxpayers.

According to budget officials, the budget's estimated \$72.5 million increase in general school aids is predicated on two factors. First, about \$42 million stems from the removal of payback requirements of that amount imposed by the state last year when it determined that previous MPS state aid amounts were vastly overstated due to MPS misreporting. The paybacks occurred through state aid reductions in the 2025 budget, and those reductions now are restored.

In addition, the proposal assumes the 2025-27 state budget will not only include a \$325 per pupil increase in revenue limits as currently dictated by state law, but that it will finance the increase with an expanded state equalization aid appropriation, instead of requiring districts to levy additional property taxes to hit their revenue limits. According to budget officials, this assumption largely accounts for the remaining \$30 million of the \$72.5 million increase.

The bottom line for property taxpayers is that in the proposed budget, no additional levy is needed to allow the district to reach its estimated per pupil revenue limit in 2026. In fact, as noted in the previous section, school operations would see a \$2.8 million (0.7%) decrease in levy.

The property tax levy that helps finance school operations is only part of the taxation story, however. The district's extension fund is exempt from state revenue limits, as that fund supports recreation and other non-classroom activities that serve not just MPS students, but the entire community. As noted in the previous section, the proposed budget would more than double the extension fund levy – from \$18.9 million in 2025 to \$38.4 million in 2026. When considering a \$6.9 million combined reduction in smaller levies issued for debt and construction, this produces a total tax levy increase of \$9.8 million (2.4%) in the proposed budget.

This would be a surprisingly modest levy impact (if it turns out to be true after final state aid figures are released) given the \$51 million in extra revenue limit authority granted by voters in 2024. Moreover, it would be welcome relief after a \$94.1 million (29.4%) levy increase in 2025. As shown in **Figure 3** on the following page, state revenue limits have largely been successful in controlling MPS' annual levy growth and have even reduced it in some years, though their impacts on school services and educational quality must also be considered. In fact, major levy increases only occurred in 2021 and 2025 – the years following successful referenda in 2020 and 2024.



Still, the focus on revenue limits for school operations has masked the consequential recent decisions by MPS leaders regarding the extension fund levy.

Most notably, in October 2023, the MPS Board of School Directors voted to increase the extension fund levy in the 2024 budget by \$77.7 million (from \$34.7 million to \$112.4 million).

This action stemmed from the discovery that the levy needed for school operations would

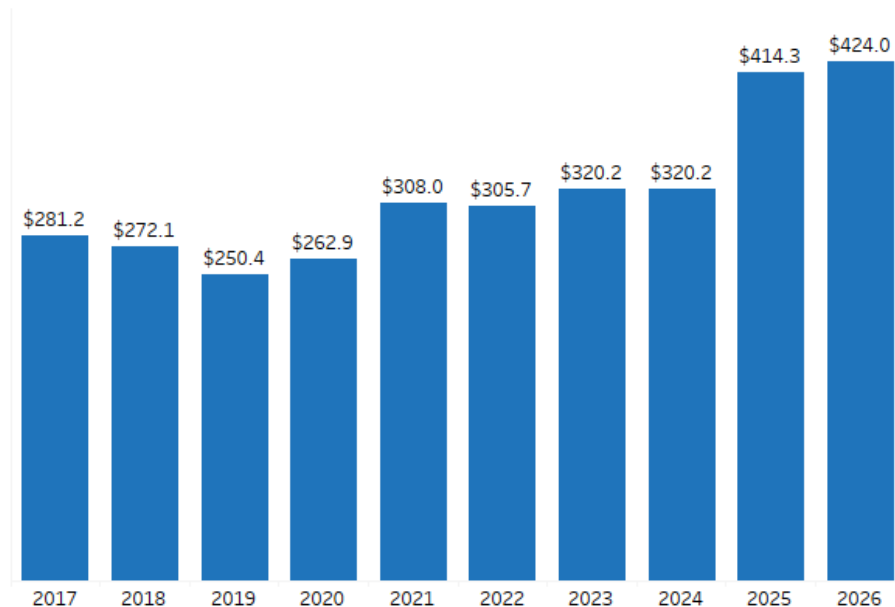
be far lower than originally expected because of higher-than-anticipated state aid payments. Some or all of the resulting levy reduction for schools could have been used to benefit taxpayers, but MPS officials instead decided to make a huge investment in recreation. The tripling of the extension fund levy was to be used mainly for a new recreation community center at the former Browning School, and also to address other deferred recreation facility needs.

Twenty months later, planning and design continue for the new center, but construction has not yet been initiated. Meanwhile, last year, when the state ordered the payback of general school aids, part of the huge fund balance that had been built in the extension fund was drawn down by MPS leaders to reduce its levy to \$18.9 million – well below previous typical levels in the mid-\$30 million range. That move allowed officials to levy more for school operations without producing as much of a total tax increase as they sought to stave off personnel and service cuts that otherwise would have been required due to the state aid repayment.

In the 2026 proposed budget, the extension fund levy is restored to \$38.4 million to meet recreational needs. According to budget officials, the extension fund still has about \$60 million in reserve for the new recreation center and about \$30 million in its general fund balance. A portion of either balance could have been used to maintain a lower extension fund levy, but they say the budget opts otherwise because a decision has not yet been made on when and whether to proceed with the recreation center, and because they wish to maintain a healthy extension fund balance.

Looking forward, **policymakers should take note that the sizable balance in the extension fund is an option for reducing the property tax burden in future budgets**, particularly if greater need arises to boost the levy for school operations (a circumstance that might occur this fall if state aid estimates do not pan out). We have not seen enough information to comment on the need for the proposed

Figure 3: Revenue Limits Kept Levies Down Prior to Referenda
MPS total property tax levy (in millions)



Source: WI Dept of Public Instruction and 2026 MPS Proposed Budget



new recreation center, but before it proceeds the project should be vetted with the public and weighed in the context of MPS' formidable financial challenges and implications for taxpayers.

Key #2: Huge Vacancy Adjustment Again Helps Balance Budget but May Be Coming to an End

The use of a vacancy adjustment by MPS is by no means unique. Such adjustments are commonly used by local governments to anticipate unspent funds each year due to turnover or unfilled positions. By budgeting for those savings, governments can ensure that the dollars can be spent on other needs or to reduce the tax burden on citizens. In the case of MPS, while the district will seek to fill vacant positions, the assumption is that others will come open even as new staff are hired.

The 2026 budget proposes 9,608.3 FTE positions, which will cost \$982.9 million for salaries and benefits. Budget officials say they are assuming a vacancy rate of 11% (the equivalent of about 1,057 FTEs), which allows for a \$75.9 million vacancy adjustment (i.e. savings in salaries and benefits) in the proposed budget. That \$75.9 million represents 4.9% of proposed 2026 expenditures.

As we have pointed out in our [2024](#) and [2025](#) MPS budget briefs, despite the common use of this practice, MPS has used it much more extensively than either Milwaukee County or the city of Milwaukee to balance budgets. Its usage escalated in 2023, when the vacancy adjustment for salaries alone climbed to nearly \$52 million after averaging about \$18 million over the previous five years. As we have also pointed out, an inordinately high vacancy adjustment at MPS is somewhat justified by its unique human resources challenges, which include competition with other districts and employers for teachers.

Still, we have urged MPS leaders to reduce the use of a vacancy adjustment. If the district wants to retain the savings produced by such a high adjustment, then it could remove from its books those positions that have been difficult to fill and have remained vacant for years, or those deemed no longer necessary or affordable even if worthy job applicants were available.

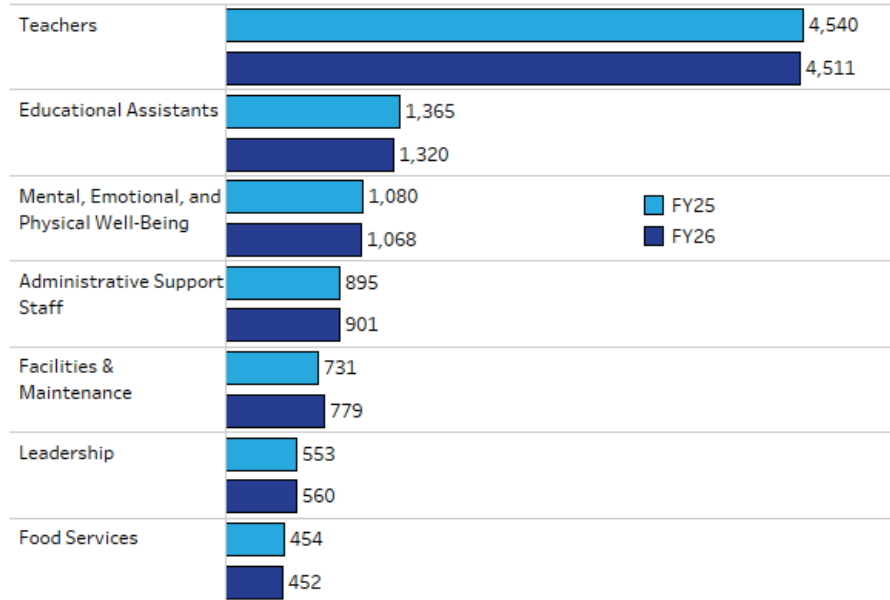
District officials acknowledge the need to reduce the vacancy adjustment in future budgets but also say the vast majority of vacant positions are needed and ideally *would* be filled. At the same time, they recognize the financial challenge that would be created if they are successful in filling a high number of vacancies. For example, if they were successful in cutting the current budgeted vacancy rate of 11% in half to 5.5% in 2027, then budgeted salary and benefit appropriations would have to grow by approximately \$38 million.

Despite a teacher shortage that has made it difficult to fill positions, MPS is proposing a few changes that may result in more bandwidth for human resource personnel to pursue recruitment and retention. This includes the addition of four talent management FTEs and three organizational development FTEs, in addition to the removal of legal and labor relations from the Human Resource department's purview to allow it to focus more fully on recruitment and retention.



The district has an array of position types that are listed across 20 categories in the budget. In **Figure 4**,⁶ we condense them into seven broad groupings. Under the proposed budget, teachers would account for 47% of all positions (4,511 FTEs), which is a decline of 28.5 FTEs from the 2025 budget. Educational assistants would be reduced by 45.2 FTEs and would represent 14% (1,320) of the district-wide FTE total.

Figure 4: Facilities Positions Grow, School Positions Shrink
District FTE positions by profession, 2025 adopted and 2026 proposed budgets



Source: MPS 2026 proposed budget

Personnel that support mental, emotional, and physical well-being would decline by nearly 12 FTEs and would represent 11% (1,068) of district positions in 2026. This latter group includes positions such as social workers, therapists, psychologists, and school nurses.⁷ Notably, facilities and maintenance positions are proposed to increase by 48 FTEs, which are largely new positions supporting lead remediation.

The nearly \$76 million vacancy adjustment is one of the central factors contributing to the superintendent’s ability to balance her first proposed budget without turning to major staffing cuts. Over the next year, **it will be a difficult but critical task for her and her management team to determine a more reasonable vacancy adjustment that is based on the number and types of positions the district genuinely needs** considering its reduced student population, and what it can afford given its future revenue challenges.

Key #3: A New Approach to Funding Capital and Maintenance Needs

Over the past several months, MPS and Milwaukee Health Department officials have cited dangerous levels of lead contamination in [seven district schools](#), and tests revealed elevated levels of lead in four students. Four of the schools were closed, while extensive changes to day-to-day operations were made at the other impacted schools. The budget proposes an increase of \$16 million to address the lead crisis, through both capital investments in replacing contaminated parts

⁶ While the budget document projects 9,608.3 FTEs total in 2026, the chart reflects the 9,590.2 FTEs described on page 28 of the proposed budget. District officials attribute the discrepancy to the timing of certain grant-funded positions for which additional revenue commitments are not known until the fall.

⁷ The full list of positions included in the **mental, emotional, and physical well-being** column of **Figure 4** includes children’s health assistants, safety aides, social workers, psychologists, school nurses, therapists, and social worker assistants. The **administrative support staff** column includes classified technical and administrative, clerical/secretary, and school bookkeeper positions. **Building and grounds** includes building services helpers, engineers/boiler attendants, and trades workers and foremen. **Leadership** includes principals, assistant principals, and administrators.



of buildings and thoroughly cleaning buildings and replacing lead-based paint. Given the severity of the issue, the district hopes to have at least the first phase of the project completed by fall 2025.

The lead issues are a symptom of both aging schools, many of which are more than 60 years old, and a long-term trend of shrinking investments in facilities and maintenance as the district made difficult choices between funding operational expenses and investing in facility upkeep and improvement. We pointed out this trend as early as 2020 in our [budget brief](#).

The new superintendent intends to make targeted investments to address deferred maintenance and maintaining healthy, inviting school buildings. These investments would build on the more than [\\$178.1 million in federal pandemic](#) relief funds dedicated to facilities projects over the past three years.

As part of this push to improve facilities, the 2026 budget utilizes the Long-Term Capital Trust specifically for these costs, which would receive a \$27.8 million appropriation next year. This fund pays for certain facilities-related projects that are considered to be “capital” in nature because of their long-term impacts, including both facilities improvements and substantial repair projects. By using cash instead of issuing debt for these projects, the district is able to avoid interest costs. Of the \$27.8 million, \$16 million is dedicated to lead abatement, with the remainder paying for investments in the district’s facilities, including improvements to electronic safety equipment like cameras and less invasive weapons scanners, improvements to school food service facilities, and other student-driven priorities.

The trust has received contributions in prior years, including \$140 million largely accumulated from transportation savings realized during the pandemic. District officials indicate that approximately \$30 million from that balance has been used to cover cost overruns associated with projects paid for with federal pandemic relief aid. With \$27.8 million proposed to be spent in 2026, the fund will still hold approximately \$82 million for future use, guided by the district’s long-term capital plan, which was presented to the board on June 17.

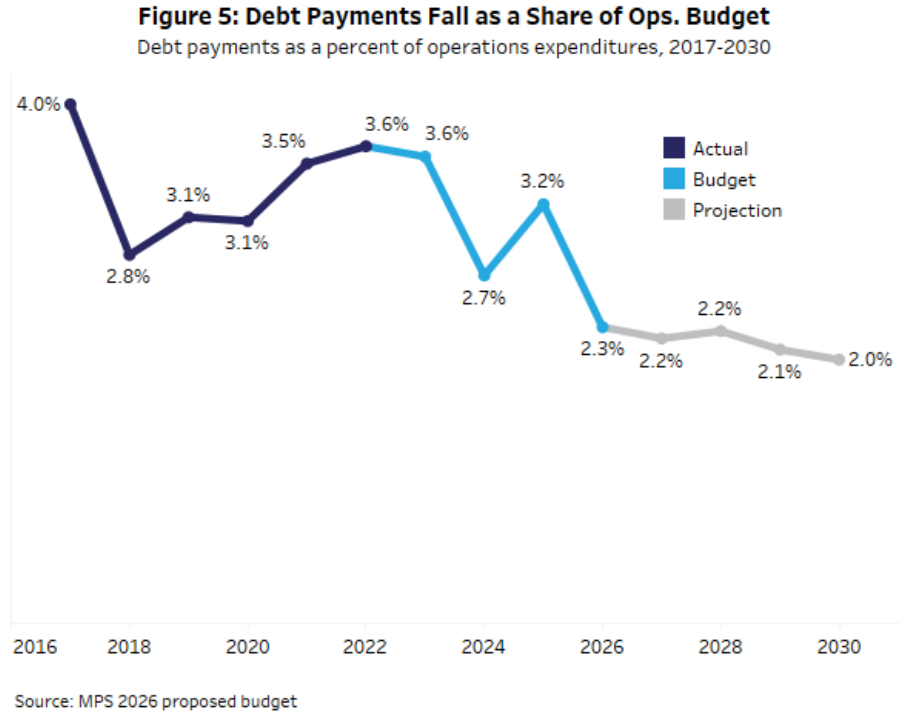
MPS has three separate funds - school operations, construction, and the Long-Term Capital Improvement Trust - that cover costs associated with maintaining and improving the district’s facilities. Facilities and maintenance spending from these funds would total \$141.5 million in 2026, an \$18.2 million increase over the previous budget.

The largest portion, \$111.1 million, comes from school operations to pay for day-to-day maintenance work and includes \$74.6 million for salary and fringe benefits for 804.7 FTE maintenance staff. The proposed budget also maintains the district’s construction fund but would reduce its appropriation from \$18.5 million in 2025 to \$2.7 million next year. This fund pays for additions and remodeling of district buildings as well as expenditures that support the district’s fleet of vehicles and heavy equipment.

As previously discussed, the budget also establishes the debt fund as a separate fund in 2026, removing it from school operations and allocating \$27.8 million to it in 2026, a combination of a \$20.3 million transfer from balances in other funds and \$7.5 million in property tax revenue. The \$27.8 million is the estimated required payment for principal and interest on the district’s \$300 million of outstanding debt. As shown in **Figure 5** on the following page, debt payments have fallen



since pre-pandemic budgets, as some obligations have been paid off and total budgets have grown. In 2026, they will make up only 2.3% of the district’s proposed spending on operations, and they are projected to fall further as a proportion of operations spending in the following four budgets. While the 2.3% figure is higher than the percentages from 2021 to 2023, those years were impacted heavily by higher budget totals resulting from the receipt of federal pandemic relief funds.



For context, MPS spends a much smaller portion of its budget annually on debt service than the Madison Metropolitan School District, which dedicates 8.7% of its recently approved 2026 budget to debt service. MPS’ success in lowering debt payments suggests that in the short term, it has additional flexibility to borrow to meet its growing capital needs, which may be particularly useful as it completes a review of its long-term facility needs. The downside, of course, is that increased debt service payments would impact other priorities.

The funds focused on capital improvements and debt payments move the district closer to the fund structure recommended by the state Department of Public Instruction. **The manner in which the budget now shows these funds also improves transparency regarding the district’s facilities spending and debt obligations and shed greater light on its capacity to address long-term capital needs.** As MPS leaders consider the need to fortify district-wide facilities maintenance and repair efforts, however, they should also take into account the potential for closing certain schools in response to the district’s declining enrollment and ensure that funds are not spent unnecessarily on schools that may be selected for closure as part of an ongoing [long-range facilities planning effort](#).

Key #4: Superintendent’s New Organizational Vision Begins to Take Shape

The proposed budget includes several organizational changes that reflect the new superintendent’s initial plans to boost student proficiency, streamline central office operations, enhance the organization’s fiscal operations, and respond appropriately to facility and maintenance needs. The changes fall into two primary categories:



- **Leadership.** Central to the superintendent’s overall plans are some key changes to the senior leadership structure at MPS. At the top of the proposed organizational chart are two deputy superintendents and two legal advisors who report directly to the superintendent. Additionally, the chief school administration officer position is eliminated and replaced by a chief schools officer. Some of the duties of the former position would remain intact, while others would shift to the chief operations officer – a position that has been vacant for several years but that she now plans to fill.

The chief schools officer would oversee six superintendents assigned to elementary schools and two to high schools. Collectively, these positions would oversee all MPS school principals and replace five regional superintendent positions. The eight superintendents would cover schools district-wide rather than regionally, with a goal of having each supervise fewer principals, which would allow them to spend more time coaching and ensuring adherence with state standards. Four new operating manager positions are also added to the Office of Schools and will be overseen by the chief schools officer.

- **MPS Offices.** Four offices are created in the proposed budget and two are eliminated. The new offices are Families, Communities, and Partnerships; Legal and Labor Relations; Communications; and Schools. The Office of School Administration would be eliminated and its functions spread across the Office of Schools and the Office of Operations. The Office of Communications and Student Performance is eliminated and its functions spread across the Office of Operations and the proposed communications office and Office of Families, Communities, and Partnerships. The Legal and Labor Relations office is removed from the Office of Human Resources and receives added capacity.

The new Office of Families, Communities, and Partnerships is specifically touted in the budget summary. It would be headed by a new chief of family and community engagement to “create stronger partnerships with the local business community, MPS Foundation, Milwaukee Teachers Education Association, and our families.” Additionally, Milwaukee Recreation would be housed in this office. Most of the office’s expenditures would be covered by resources formerly dedicated to other offices.

Other noticeable changes are proposed to the beleaguered Office of Finance, which would see the realignment of 6.4 existing FTEs from accounting to budget and the addition of 2.0 budget analyst FTEs. The budget also proposes an additional 1.5 FTEs for procurement and risk management and 2.0 FTEs for state and federal programs. To help offset the cost of these positions, 1.5 accounting FTEs are eliminated, which creates a net of four proposed new FTEs in the office. Additionally, that office would no longer house the school nutrition department, which is moved to the Office of Operations.

Figure 6 on the following page shows the position growth or shrinkage in each central office. Collectively, central offices would grow by 104.1 FTEs in the proposed budget. While that appears to be considerable growth, it is worth noting that in previous budget briefs we have questioned whether MPS leaders were cutting certain central office functions too deeply as they sought to retain funding for positions more closely associated with instruction.

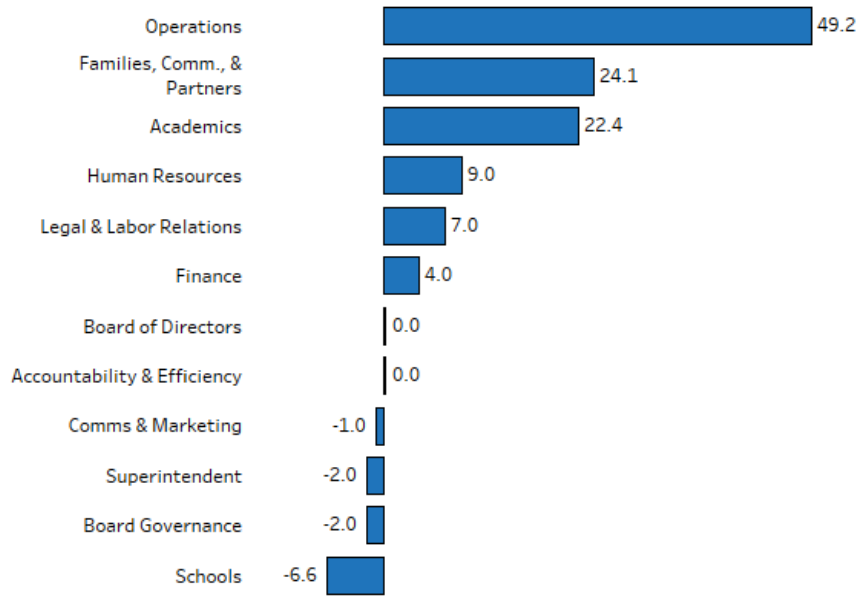


Other noteworthy organizational changes proposed by the superintendent include the following:

- Nineteen safety assistant positions are eliminated to partially offset the \$775,000 cost of 25 new school resource officers, which are being filled by the Milwaukee Police Department per a contentious provision of state law.⁸

Figure 6: Operations Sees Highest Position Growth in Central Office

FTE position change from prior budget, 2025 adopted to 2026 proposed budgets



Source: MPS 2026 proposed budget

- About 180 central office teachers and other personnel who provided educational and support services across all of the district’s schools were told in May that they would be losing their positions but could reapply for 140 remaining central office positions or to vacant teaching positions in schools. Five instructional leadership positions that provided professional development in schools would be cut as part of the changes to central offices; that work would be assumed by senior teachers in each school, who would receive a stipend for their service.⁹
- The prioritization of facility maintenance is reflected by the creation of 61 positions in the Office of Facilities and Maintenance to support lead remediation and other deferred maintenance issues. This is part of an effort to centralize maintenance responsibilities in light of concerns that principals often deferred maintenance needs or kept maintenance-related positions vacant given competing demands at their schools.

Overall, the organizational changes proposed in the budget reflect the new superintendent’s prioritization of improving the efficiency and effectiveness of centralized functions and improving management of areas like facilities maintenance that she believes may have suffered when controlled too much by schools. Some of her proposed changes in this regard already have encountered opposition by the teachers’ union and others, and **whether they stick and what modifications may replace them will be important to watch** as budget deliberations continue this spring and resume in the fall.

⁸ [2023 Wisconsin Act 12 Section 45.8](#)

⁹ A June 13 [article](#) in the *Milwaukee Journal Sentinel* reports that the superintendent’s plan has been modified to exclude special education evaluation team positions and social work support staff, reducing the number of affected jobs to 162.

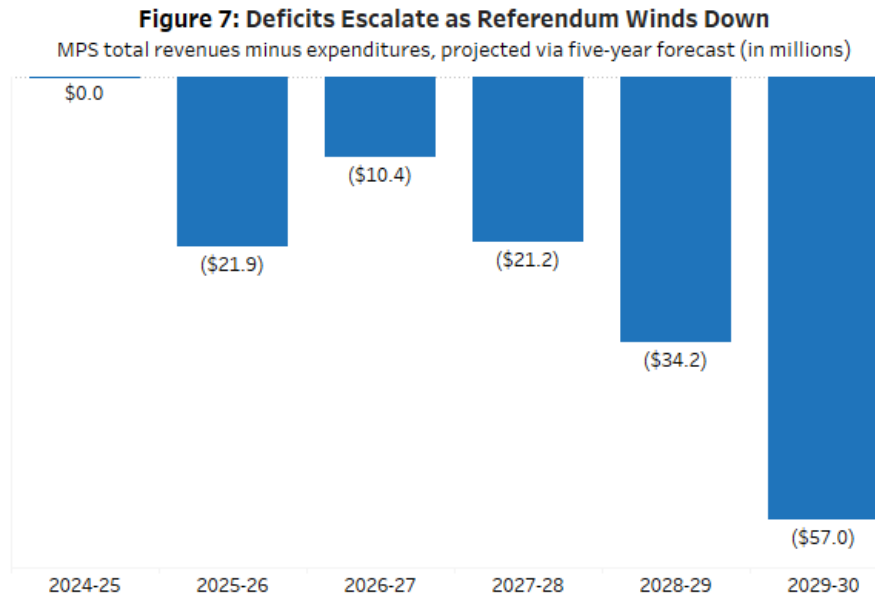


Key #5: Referendum’s Positive Impacts Begin to Dim

As we have discussed throughout this report, the successful 2024 referendum has significantly eased the pressure on the 2025 and 2026 budgets. The district’s five-year forecast confirms that the referendum improved the outlook for MPS, but it also reveals that the district’s structural challenges will intensify in the not-too-distant future.

Just two years ago, before the referendum’s passage, the district’s school operations forecast for 2024 through 2028 showed a gap of \$108.2 million for 2025 that would increase to \$218.8 million by the 2028 budget. This year’s five-year forecast shows that the anticipated gap is only \$10.4 million for the 2027 budget and will grow to \$57.0 million by 2030, as shown in

Figure 7.¹⁰



Source: 2026 MPS Proposed Budget

The gap particularly starts to grow when the four-year phase-in period for the 2024 referendum expires after the 2028 budget. The forecast shows a slowdown in MPS’ annual school operations revenue growth to 1.1% in 2029 and 1.3% in 2030, as compared to 4.4% in 2027 and 2.3% in 2028. After providing excess revenue limit authority of \$140 million in 2025 and an additional \$51 million in 2026, the referendum allows for an additional \$47 million in 2027 and \$14 million in 2028 before phasing out for a total increase of \$252 million.

Key to these projections is the forecast’s assumption that – outside of the referendum – revenues capped by the state limits will continue to grow annually by \$325 per pupil per current state law. MPS’ actual limit not only will be affected by the per pupil increase and the extra authority granted by referenda, but also by whether its enrollment continues to decline and other factors that enter into the state’s formula. The five-year forecast assumes a reduction of about 500 students per year.

Increases in salaries and benefits are the primary drivers of the projected increases in expenditures, with salaries and other wages growing \$122.4 million (22.6%) and benefits increasing by \$71.4 million (22.7%) from 2026 to 2030. The forecast assumes annual COLAs of 2.5% in 2027 and 2028

¹⁰ The \$21.9 million gap shown for the 2025-26 school year was the projected gap heading into development of the 2026 proposed budget. As discussed throughout this report, several developments allowed the proposed budget to eliminate the gap without sizable position or service cuts, including the \$76 million vacancy adjustment.



and 2.0% in 2029 and 2030, while fringe benefits are estimated in accordance with typical increases in prior years.

Notably, the five-year forecast's salary and benefit estimates assume the district will ramp down its use of sizable vacancy adjustments from 2027 to 2030. The adjustment would fall from the nearly \$76 million proposed for 2026 to about \$46 million in 2027 and continue its descent over the next three years to about \$21 million in 2030. This assumed reduction in vacancy savings joins the phase-out of the referendum's increased revenue limit authority as a key factor in the growth of the structural deficit. However, unlike the referendum phase-out, there is some uncertainty here – whether the district is able to fill a high proportion of its current vacancies and ultimately deems it necessary and appropriate to do so are still question marks.

Another key element of uncertainty is the potential for federal funding cuts. The five-year forecast only encompasses the school operations fund and therefore does not speak to **how MPS could be impacted by funding changes at the federal level that would show up in the categorical fund**. MPS is budgeted to receive \$148.6 million in federal categorical funds in 2026, and many of those dollars are dedicated to services for students who are at risk of academically failing. It is too early to know whether funding cuts in Congress for the federal government's 2026 budget will impact MPS' federal categorical aids in 2027 and beyond. If such cuts do occur, however, then MPS leaders may feel compelled to replace at least some of the federal dollars with local or state resources. That, in turn, could ramp up budget pressures.

On the positive side, as we have discussed, the district appears to have an ample fund balance in its extension fund (which would be even larger if the planned community and recreation center does not proceed), and there may be sizable balances in some other funds which we are unable to discern because recent audited financial statements are not available. Spending down reserves is not a sustainable budget strategy but could provide some short-term relief. Also, it is possible that MPS will fare better in future state budgets than the forecast is currently projecting.

Overall, the 2024 referendum certainly has served its purpose of reducing the severity of MPS' structural financial challenges in the near term. **Whether that momentum will hold past 2026 is an open question, however.**



CONCLUSION

Superintendent Brenda Cassellius' first budget was delivered less than three months after she assumed her new role. With such limited time to put her imprint on the 2026 budget – and such a daunting set of challenges immediately before her – it would have been understandable if the budget served largely as a status quo placeholder while she became acclimated to the district's finances and operations.

Instead, the budget hits the ground running by proposing several new priorities and organizational reforms for MPS. For example, it places a new emphasis on facility maintenance and repairs – a seemingly mundane choice considering the district's pressing academic and workforce challenges, but one that is justified by the lead paint issues the district has faced and years of underinvestment in this area. Her proposal not only would spend an additional \$16 million on lead paint stabilization and fund 61 additional facilities maintenance positions, but it also includes an important organizational change that shifts certain maintenance activities from schools to central offices to ensure they are prioritized.

Other major organizational changes include the creation of a central office to focus on partnerships and families, 12 new positions to better support principals and schools, and the elimination of more than two dozen administrative positions she deems unnecessary. She also has initiated a controversial plan to shift 40 teachers who currently perform district-wide support duties into vacant positions in classrooms and require more than 100 who do not make that shift to reapply for a smaller number of centralized teacher positions.

Still, while the superintendent brings considerable change to MPS as part of her first budget and sets the stage for more, she also leans heavily on an infusion of \$51 million from the 2024 referendum advanced by her predecessor, as well as a \$76 million vacancy adjustment that continues a less-than-ideal budget balancing tool that first escalated three years ago.

The superintendent has publicly acknowledged that her second budget for 2027 is likely to have a much greater degree of difficulty, in part because of her intention to right-size the vacancy adjustment by filling needed positions. Budget difficulties also are likely to grow from the wind-down of the referendum's increased revenue authority and the ominous threat of federal funding cuts. The still unfinished state budget also leaves some uncertainty about the next two years for the district.

Overall, the proposed 2026 MPS budget is a document that blends old and new. Proposed organizational changes provide hope for greater efficiencies and cost savings in future years, but a structural deficit is still apparent and is likely to grow without much more extensive fiscal and organizational change. Such changes, in turn, will have to be implemented as the district pursues its foremost priority: to improve academic achievement and enhance the quality of educational services in classrooms.

