



WISCONSIN POLICY FORUM

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Proposed MPS Budget Resolves Fiscal Shortfall but Leaves Another Looming Gap

Budget is balanced for 2027, but large deficit forecast for future years

Milwaukee Public Schools (MPS) has proposed a 2027 budget that would tackle some immediate challenges and balance its books for now, but would still leave the district facing an ominous long-term outlook, according to the [Wisconsin Policy Forum's annual review](#) of MPS finances.

A year into the job of MPS Superintendent, Brenda Cassellius has made progress in addressing some of the issues that have led to the district's past financial missteps. Following a series of position cuts necessitated by the discovery of a negative \$45.6 million balance in the district's main fund, Cassellius has proposed a 2027 budget that successfully balances spending and revenues, while boosting teacher salaries and adding teachers and aides.

However, the district's five-year forecast projects a structural deficit for its main fund emerging as soon as 2028. That is also the final year in which the district will see increased revenues from the phased implementation of its 2024 referendum. Left unchecked, spending is projected to outpace revenues by \$63.7 million by 2029, budget documents show.

One notable move in the 2027 proposed budget is the net addition of 574.3 FTEs, primarily teachers and paraprofessionals, in a bid to reduce class sizes. In 2027, the district can afford the additions to payroll. But they could add to budget crunches in later years, when revenues are projected to struggle to keep up with an overall proposed 8.2% salary increase created both by the new FTEs and staff raises.

The district also is poised to lose a longstanding financial cushion in the form of nine departing charter and alternative schools. As we explain in the report, this will provide a short-term fiscal boost for MPS, but a long-term hit to the district's revenues and bottom line. All this comes in addition to state laws that limit the ability of all Wisconsin districts to raise enough revenue to match inflation.

These factors, as well as aging school buildings and declining student enrollment, will exert ongoing pressure on future MPS budgets and, without a substantial infusion of new revenue, may force future cuts that undermine the very investments proposed in this year's budget.

MPS recovers from past financial missteps

MPS has dealt with a series of delays and mistakes in its financial statements, as well as 2025 spending that inadvertently exceeded the district's budgeted amounts. The 2025 financial statements revealed that MPS faced a negative balance of \$45.6 million in its main fund, and district officials moved forward with hundreds of layoffs to lower spending and cover what could be described as an overdraft. MPS leaders also say that new financial controls and strengthened accounting practices should guard against similar issues in the future.

The Forum's further review of the district's financial statements reveals the original problem was even larger than previously understood. The statements show the district spent a total of \$70.4 million more out of four major funds than the funds received in revenue. To some degree, the overspending reflected legitimate pressures on the district, such as the discovery of lead poisoning cases among four MPS students that led to a total of \$41.8 million in emergency spending on lead stabilization.

Ultimately, the district was able to continue to pay its ongoing costs because its operating funds are pooled with city of Milwaukee funds – an unusual arrangement not used by other school districts or cities in Wisconsin.

Bond rating downgrade, enrollment decline are concerns

The steady repayment of outstanding total debt and falling annual debt payments have been fiscal bright spots for MPS. A recent development that puts its future capital resources in question, though, is the downgrading of its bond rating to BBB-, the lowest rating among investment-grade bonds. As a result, if the district issues bonds in the future, it will likely face higher interest rates and payments.

The district's enrollment trends are also notable, since the state limits K-12 revenues on a per pupil basis. Driven by the loss of several charter schools, MPS' headcount enrollment is projected to decline in 2027 by 4,204 students, or 6.5%, to 60,390. This drop follows many years of slower but persistent declines at MPS, which are likely to continue, both because fewer school-age children live in Milwaukee and because more Milwaukee students are enrolling in independent charter schools and private choice programs in the city.

The superintendent has indicated that school closures and consolidations will be considered in future years. Some action on this front appears hard to avoid, given the district's declining enrollment, the costs associated with maintaining aging and underutilized school buildings, and more limited academic and extracurricular offerings available to students at them.

Challenges to overcome

As in past briefs, we note that this year's MPS budget documents either omit or could provide a fuller explanation of some notable decisions and swings in expected proposed revenue and spending. The district also took the step of issuing a revised budget book with unusually substantive changes, including changing a 2.4% increase in budgeted positions to a 6.0% increase. (The Forum's analysis is largely based on the original proposal but notes some of the largest revisions.) On the other hand, the documents continue a shift toward producing a more plainspoken budget summary of manageable length, and the district now has available audited financial statements through 2025.

In this moment and the years to come, the report concludes that MPS has many challenges to overcome. Some were imposed from the outside; others were of its own making. The report suggests some potential options for district leaders to consider to reduce its impending budget shortfall.

"Families, teachers, residents, and investors need to have confidence in the district's ability to meet these coming challenges, or MPS will find it harder to maintain and attract the necessary enrollment, staff, and capital financing to accomplish its crucial mission," the report finds.

[Click here](#) to read the full report.

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