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Proposed 2018 MPS budget "retrenches" in the face of revenue challenges and renewed expenditure pressures

The Public Policy Forum's annual review of the Milwaukee Public Schools (MPS) superintendent's proposed budget finds that 2018 will be a year of "retrenchment" for MPS as it trims positions and restores funding to retirement and capital debt obligations.

"After two consecutive years in which the district was able to add positions and initiate new programs, the 2018 proposed budget reverts back to a more familiar budget paradigm – one in which MPS' leaders face fierce pressure to reduce positions and to shift resources from school operations to other needs," says the report. "This reality necessitates the proposed elimination of 194 positions and an overall reduction of \$31 million to school budgets."

The report explains that MPS entered its 2018 budget deliberations with a \$46 million "hole," which was created by the use of one-time savings in 2017 that resulted largely from the district's ability to pre-fund certain retirement and debt-related payments late in 2016. Those savings were used to finance new positions and strategic initiatives, but they need to be restored in the 2018 budget.

The report notes that district leaders were "fully transparent about the move," arguing that this was a unique opportunity to invest in high-priority initiatives and expressing hope that additional revenues or new internal reallocation opportunities might materialize to painlessly plug the gap in 2018.

"Unfortunately, that has not turned out to be the case," says the report. "Under the proposed State budget, MPS' State aids would increase only slightly. Meanwhile, not only do new reallocation opportunities not exist to help finance school operations, but the budget must find a way to *restore* \$36.6 million to retirement and capital-related debt accounts, and to add \$4.5 million for growing health care costs."

Despite the cuts in positions and the reallocation of resources from school operations to other accounts, district officials say the impacts will be manageable, as school-related position and funding increases in the 2017 budget still exceed the reductions required in 2018. Also, the budget notes that despite the elimination of 194 positions, there will be few layoffs, as most will occur through staff turnover, retirements, and vacancies.

Other key findings from the Forum's 2018 MPS Proposed Budget Brief include the following:

- The budget anticipates a \$15.4 million increase in per pupil aid from the State based on the Governor's recommended 2017-19 State budget. That increase is mostly offset, however, by a projected \$12.9 million reduction in combined State equalization aids and local property tax levy based on aid amounts and revenue limits in the Governor's budget.
- While the proposed budget fully restores one-time savings in retirement and capital-related debt accounts, it again includes a transfer of \$9.5 million in property tax levy from the construction fund to school operations. This transfer likely will need to be restored in 2019, adding to budget challenges that year.
- After several successive years of decline following the negotiation of a new teachers' union contract in 2010 and changes enabled by Wisconsin Act 10, MPS' health care expenditures are projected to increase for the second consecutive year (by \$4.5 million, or 4.2%). Total fringe benefits expenditures are projected to increase by \$3 million (1.2%).
- New student enrollment projections indicate that MPS will start to see an increase in students after 2018, with enrollment estimated to increase from 83,761 to 86,529 students (3.3%) by 2022. Enrollment is critical to MPS, as it is a key factor in the calculation of equalization aid from the State.

Looking to the future, the budget brief warns that MPS' most recent five-year forecast projects a \$74 million deficit in school operations in 2022. However, it notes that the projections assume no increase in State equalization aid and local property tax levy, which may be conservative.

The brief concludes that "overall, MPS students, parents, teachers, and other stakeholders should take comfort in the fact that significant cuts to the teacher workforce and major changes in educational programming should be avoided in 2018, and that several of the strategic initiatives launched in the past two years should continue. A look ahead is far less comforting, however, and reveals that considerable heavy lifting will be required to avoid such undesirable consequences in future budgets."

The budget brief can be downloaded from the Forum's website: www.publicpolicyforum.org.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.

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