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MILWAUKEE
PUBLIC SCHOOLS

2023–24 Superintendent's Proposed Budget

Fiscal Year: July 1, 2023 – June 30, 2024

Submitted to the Milwaukee Board of School Directors

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Financial



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2023–24 Superintendent's Proposed Budget

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Submitted to the Milwaukee Board of School Directors

Financial Section

The Milwaukee Public Schools budget is organized into four sections: Executive Summary; Organizational; Financial, including Schools, Central Services, and Line Items; and Informational, including City Profile, MPS Profile, and Glossary.

The Financial Section of the 2023–24 Preliminary Budget provides a general narrative as well as detailed information on district revenues and expenditures, forecasts, fund balance, capital, and debt.

IMPORTANT NOTE TO READER: Summary information on district-wide revenues and expenditures precedes the fund-by-fund descriptions, where clarifying information is provided. It is helpful to review the fund-specific narrative to understand the summary-level information. The 2023–24 pro forma summary (Chart 3.11) shows the current budget for each fund by the object (or type) of expenditure. The district use-of-funds summary (Chart 3.8) shows the budget by the organizational functions that manage the funded activities. Finally, some of the individual fund charts are designed to show funding by program or project because that is particularly meaningful for the way that resources are distributed in those funds.

In this budget document, the terms “actual” and “actuals,” in the context of the financial information presented in tables and graphs, refer to actual revenues received and actual expenditures incurred for the fiscal year indicated. Many of the tables and charts in the Financial Section express revenues and expenditures in millions of dollars. These are indicated by (\$M) in the title of the table or chart. In addition, the sum of figures does not always equal the total displayed due to rounding.

Charts and tables are prepared from the district’s financial management system or other internal documents except where noted. The district prepares five-year projections for each statutory fund as part of the spring budget process for the following fiscal year. Given the nature of state funding for school districts in Wisconsin, revenue estimates are dependent on factors that are not predictable. Nonetheless, the forecasts realistically illustrate the need for MPS to obtain supplementary resources and reduce costs. Forecasts are reviewed and updated as needed.

Fund Overview

The district, as required under Government Accounting Standards Board Statement Number 34, utilizes various fund types to report the financial activity for its operating units. The five funds used by MPS are the **School Operations, School Nutrition Services, Construction, Extension, and Categorically Aided Programs Funds**. Within these funds, expenses are budgeted and recorded in schools, departments, and other MPS entities.

Two additional funds are identified within the **School Operations Fund**. The “taxing” portion of this fund is used for the majority of the district’s operations, including debt. The **School Nutrition Services** is a fund within the School Operations Fund that accounts for the breakfast, lunch, and other meal programs supported primarily through the National School Lunch Program. The School Nutrition Services Fund is expected to generate sufficient revenue to cover costs.

The **Construction Fund** is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for the acquisition or construction of capital facilities. It is also used to fund the additions to and/or remodeling of existing buildings.

The **Extension Fund**, is used to record financial transactions related to recreational activities and is jointly managed by the Office of Finance, the Office of Academics, the Office of Communications and School Performance, and the Office of Operations. Increased funding will support increased costs as a result of growing inflation.

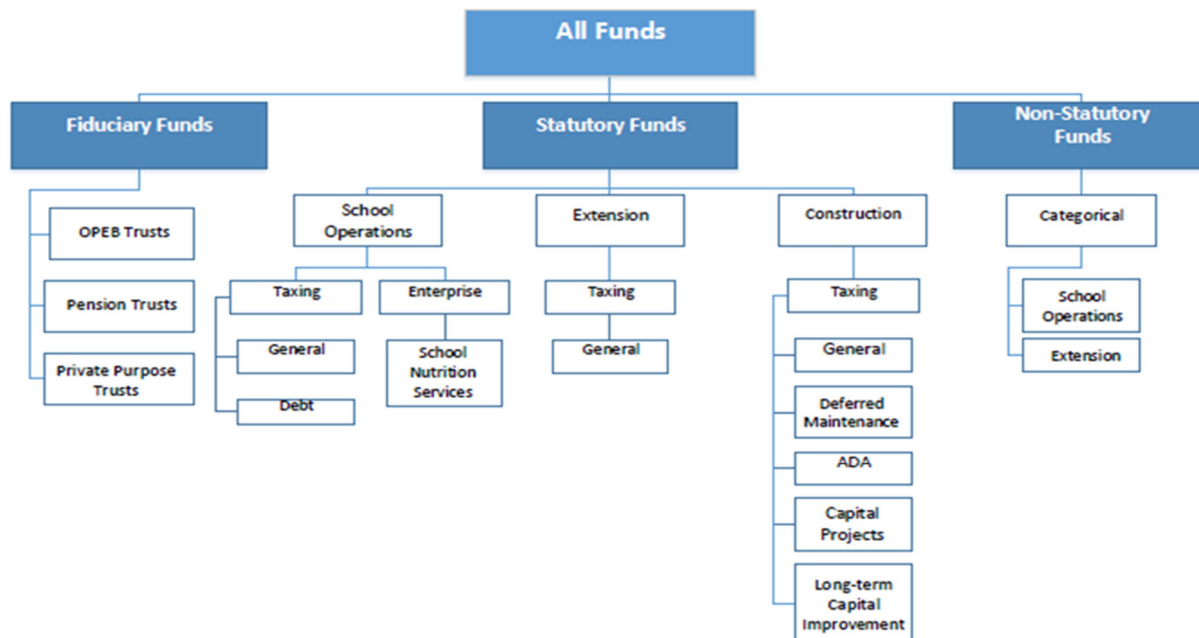
The **Categorically Aided Programs Fund** is used to account for proceeds from federal, state, and private grants that supplement core/basic instructional programs and services across the district. Most categorical programs are developed to serve a specific, targeted group or audience. MPS uses the term “categorical” funding to refer to all grant resources, and these terms are used interchangeably.

Outside the scope of the annual budget, the district also manages fiduciary funds. These are primarily composed of trusts for pension, private-purpose trusts for other postemployment benefits (OPEB), and construction.

Further descriptions of the funds can be found in the pages that follow and the glossary.

The 2023–24 Preliminary Budget is balanced. A balanced budget is one in which authorized expenditures for each fund match the projected revenues. Specific financial strategies and plans to support the Milwaukee Board of School Directors’ goals and objectives are described in the following pages. They are organized by fund: School Operations (including debt service), School Nutrition Services, Extension, Construction, and Categorical. Chart 3.1 shows an overview of the district’s fiduciary, statutory, and non-statutory funds.

Chart 3.1 District Fund Overview



The focus of the 2023–24 Preliminary Budget is on the statutory funds while also including categorical fund information for completeness. The district publishes an Annual Comprehensive Financial Report that includes detailed information on the district’s balance sheet and the fiduciary funds. It is available on the district’s website: <http://mps.milwaukee.k12.wi.us/en/District/About-MPS/Departments/Office-of-Finance/Financial-Services.htm>

Summary of All Funds

Revenues by Source – All Funds

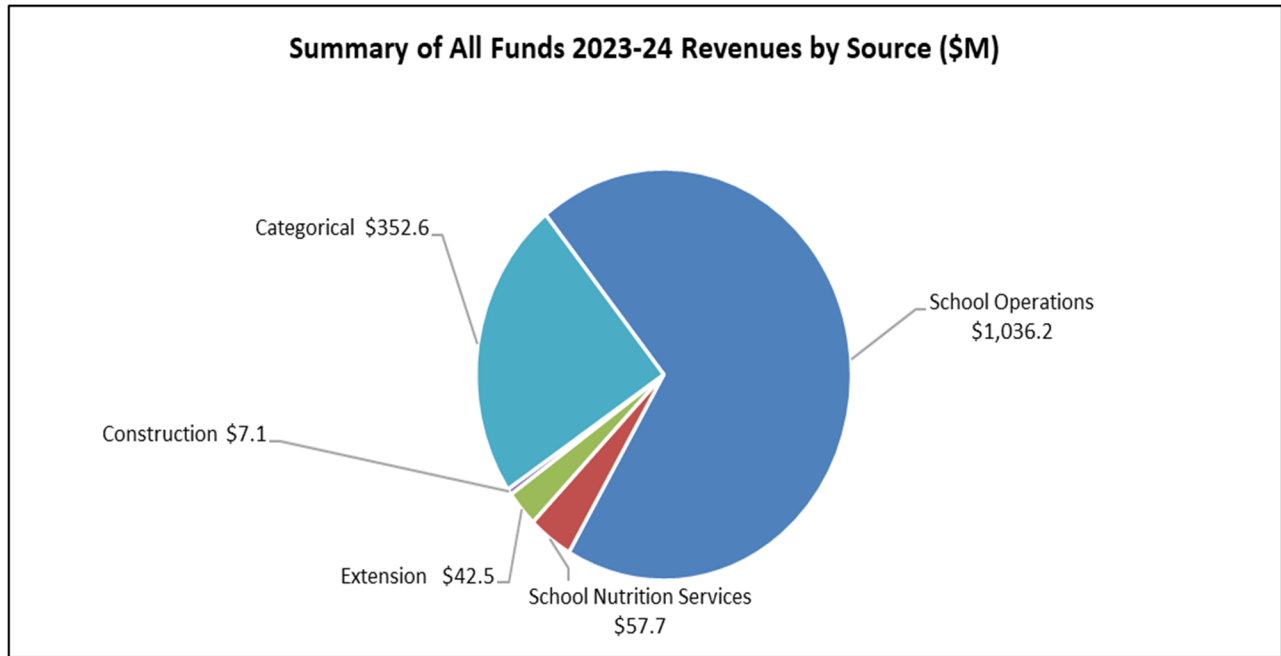
Chart 3.2 shows a summary of district revenue by source. Information includes: (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.2 Summary of All Funds – Revenues by Source

| Summary of All Funds – Revenues by Source (\$M) | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | |
| | Actual | Actual | Actual | Actual | F.A. | P.B | Inc/(Dec) |
| School Operations Fund | | | | | | | |
| Property Tax Levy/Equalization | | | | | | | |
| Aids | \$805.5 | \$800.6 | \$856.7 | \$889.7 | \$879.1 | \$847.5 | (\$31.6) |
| State Handicapped Aids | \$45.1 | \$45.5 | \$56.6 | \$55.0 | \$55.5 | \$62.0 | \$6.5 |
| Other State Aids | \$60.2 | \$74.0 | \$66.5 | \$62.0 | \$60.6 | \$58.9 | (\$1.8) |
| Federal Aids | \$14.7 | \$14.4 | \$20.5 | \$20.2 | \$26.1 | \$39.4 | \$13.3 |
| Local Revenues (Non-Property Tax) | \$31.8 | \$31.2 | \$33.0 | \$34.9 | \$25.2 | \$28.4 | \$3.2 |
| Subtotal | \$957.3 | \$965.7 | \$1,033.3 | \$1,061.8 | \$1,046.5 | \$1,036.2 | (\$10.4) |
| School Nutrition Services Fund | | | | | | | |
| Federal Aids, Commodities | \$49.2 | \$42.5 | \$14.0 | \$50.2 | \$47.6 | \$52.2 | \$4.6 |
| State, Sales, and Other Aid | \$1.7 | \$1.5 | \$1.0 | \$0.5 | \$0.3 | \$5.5 | \$5.2 |
| Subtotal | \$50.9 | \$44.0 | \$15.0 | \$50.7 | \$47.9 | \$57.7 | \$9.8 |
| Extension Fund | | | | | | | |
| Property Tax Levy | \$20.0 | \$25.2 | \$27.2 | \$29.7 | \$34.7 | \$34.7 | \$0.0 |
| Applied Surplus | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$5.6 | \$5.8 | \$0.1 |
| Other | \$1.8 | \$1.1 | \$0.2 | \$1.0 | \$2.0 | \$2.0 | \$0.0 |
| Subtotal | \$21.8 | \$26.3 | \$27.4 | \$30.7 | \$42.3 | \$42.5 | \$0.1 |
| Construction Fund | | | | | | | |
| Property Tax Levy | \$1.5 | \$1.5 | \$4.6 | \$2.9 | \$1.8 | \$5.0 | \$3.2 |
| Other | \$3.0 | \$2.0 | \$32.5 | \$38.8 | \$1.8 | \$2.1 | \$0.3 |
| Subtotal | \$4.5 | \$3.5 | \$37.1 | \$41.7 | \$3.6 | \$7.1 | \$3.5 |
| Categorical Fund | | | | | | | |
| Federal | \$116.8 | \$116.9 | \$214.7 | \$362.0 | \$681.5 | \$347.0 | (\$334.5) |
| State | \$34.6 | \$40.5 | \$42.5 | \$40.3 | \$56.5 | \$29.5 | (\$27.0) |
| Private | \$2.4 | \$3.1 | \$4.1 | \$2.5 | \$4.7 | \$4.4 | (\$0.4) |
| Subtotal | \$153.8 | \$160.5 | \$261.3 | \$404.8 | \$742.7 | \$380.9 | (\$361.9) |
| Less Indirect | (\$4.8) | (\$6.6) | (\$12.8) | (\$18.1) | (\$14.9) | (\$28.3) | (\$13.3) |
| Subtotal | \$149.0 | \$153.9 | \$248.5 | \$386.7 | \$727.8 | \$352.6 | (\$375.2) |
| Total | \$1,183.5 | \$1,193.4 | \$1,361.3 | \$1,571.6 | \$1,868.1 | \$1,496.1 | (\$372.2) |

The district’s Five Priorities for Success are necessarily built within the confines of predictable resources. Chart 3.3 shows the revenue sources for the 2023–24 Final Adopted Budget.

Chart 3.3 Summary of All Funds –2023–24 Revenues by Source



Expenditures by Object – All Funds

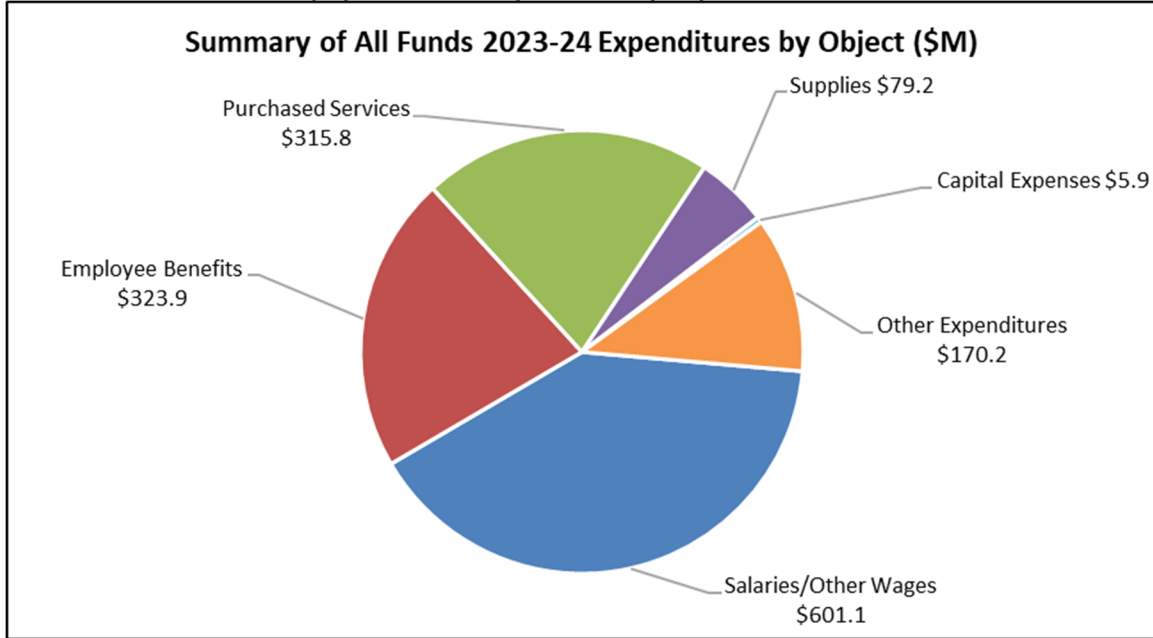
Chart 3.4 shows a summary of district expenditures by object. Information includes: (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.4 Summary of All Funds – Expenditures by Object

| Object | 2018-19 | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | Inc/(Dec) |
|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | Actual | Actual | Actual | Actual | F.A. | P.B | |
| Salaries/Other Wages | \$498.6 | \$510.0 | \$528.9 | \$534.1 | \$582.6 | \$601.1 | \$18.6 |
| Employee Benefits | \$268.3 | \$271.8 | \$369.0 | \$302.7 | \$299.5 | \$323.9 | \$24.4 |
| Purchased Services | \$333.9 | \$320.8 | \$274.2 | \$352.5 | \$312.1 | \$315.8 | \$3.7 |
| Supplies | \$57.8 | \$50.0 | \$80.0 | \$158.8 | \$83.0 | \$79.2 | (\$3.8) |
| Capital Expenses | \$4.4 | \$5.8 | \$7.5 | \$4.4 | \$5.4 | \$5.9 | \$0.4 |
| Other Expenditures | \$39.6 | \$52.0 | \$59.4 | \$92.7 | \$585.5 | \$170.2 | (\$415.4) |
| Total | \$1,202.6 | \$1,210.5 | \$1,319.0 | \$1,445.2 | \$1,868.1 | \$1,496.1 | (\$372.1) |

Chart 3.5 shows the types of expenditures for the 2023–24 Preliminary Budget.

Chart 3.5 2023–24 Summary of All Funds – Expenditures by Object



Five-Year Projection – All Statutory Funds

The district prepares five-year projections by statutory fund as part of the spring budget process for the following fiscal year. The district also develops a forecast in December/January, in part to help set the parameters for budget planning. Our projections include assumptions for future years, such as inflation rate and salary assumptions for raises. The five-year projection tables shown in the individual fund sections below and a summary thereof were created in December 2021.

See Charts 3.16 (School Operations Fund), 3.29 (School Nutrition Services Fund), 3.34 (Construction Fund), and 3.44 (Extension Fund) for individual fund five-year projections.



Chart 3.6 is the summary of individual fund projections and shows the five-year projection for district revenues and expenditures for the district’s statutory funds. This chart does not include our categorical funding.

Information includes (a) three years of actuals, 2019–20, 2020–21, 2021–22 (b) the final Adopted Budget for 2022–23, (c) the Preliminary Budget for 2023-24, and an early estimate of revenues and expenditures for each year, 2024–25, 2025–26, 2026–27, 2027-28 and (d) the change from the Proposed Budget 2023–24 budget to the estimated 2027–28 budget.

Chart 3.6 All Statutory Funds – Five-Year Projection

| All Statutory Funds - Five Year Projection (\$M) | | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | FY28 vs FY24 |
| | Actual | Actual | Actual | F.A. | P.B. | Estimated | Estimated | Estimated | Estimated | Inc / (Dec) |
| Federal Revenues | \$56.9 | \$32.2 | \$67.3 | \$73.7 | \$91.6 | \$93.4 | \$94.2 | \$95.1 | \$96.0 | \$4.4 |
| State Revenues | 685.5 | 704.6 | 734.1 | 717.5 | 690.3 | 703.5 | 704.5 | 705.5 | 706.5 | 16.2 |
| Local Revenues | 303.0 | 373.7 | 374.5 | 349.2 | 361.6 | 374.1 | 374.7 | 375.2 | 339.0 | (22.6) |
| Total Revenues | \$1,045.4 | \$1,110.4 | \$1,175.9 | \$1,140.4 | \$1,143.4 | \$1,171.0 | \$1,173.4 | \$1,175.8 | \$1,141.4 | (\$1.9) |
| Salaries/Other Wages | \$434.1 | \$446.2 | \$447.4 | \$497.2 | \$485.7 | \$544.5 | \$563.0 | \$582.7 | \$603.1 | \$117.3 |
| Position Benefits | 237.0 | 271.9 | 256.9 | 250.3 | 265.5 | 309.4 | 320.6 | 331.9 | 343.2 | 77.7 |
| Purchased Services | 281.9 | 234.2 | 262.5 | 269.3 | 275.4 | 296.5 | 301.3 | 305.1 | 305.9 | 30.6 |
| Supplies | 48.5 | 40.9 | 60.2 | 75.4 | 75.4 | 77.8 | 79.5 | 71.8 | 65.7 | (9.7) |
| Capital Expenses | 3.3 | 3.8 | 3.4 | 4.3 | 4.0 | 3.6 | 3.8 | 3.9 | 3.5 | (0.6) |
| Other Objects | 51.8 | 72.8 | 73.7 | 43.9 | 37.4 | 47.4 | 38.3 | 38.5 | 38.8 | 1.4 |
| Total Expenditures | \$1,056.5 | \$1,069.8 | \$1,104.2 | \$1,140.4 | \$1,143.4 | \$1,279.2 | \$1,306.5 | \$1,333.9 | \$1,360.2 | \$216.8 |
| Balance (before use of prior-year funds) | (\$11.1) | \$40.6 | \$71.7 | \$0.0 | \$0.0 | (\$108.2) | (\$133.1) | (\$158.2) | (\$218.8) | (\$218.8) |
| Use of Prior-Year Funds for Legacy Costs | - | - | - | - | - | - | - | - | - | - |
| Surplus/(Deficit) | (\$11.1) | \$40.6 | \$71.7 | \$0.0 | \$0.0 | (\$108.2) | (\$133.1) | (\$158.2) | (\$218.8) | |
| Cumulative Surplus/(Deficit) | \$115.5 | \$156.1 | \$227.8 | \$227.8 | \$227.8 | \$119.7 | (\$13.4) | (\$171.6) | (\$390.4) | |

Summation of Five-Year Projections

The district’s financial realities, as seen in the forecast summary, demonstrate that the district needs to proceed with a high degree of fiscal caution. Concerns about enrollment and continued revenue pressures remain.

It is important to note that general-purpose revenues for 2023–24 have decreased from FY23 but are projected to increase over the next few years (see Chart 3.16 in the School Operations Fund section).

The district has responded to demands for high-quality programs in suitable facilities by authorizing a few remodel/expansion sites. While there is more need for such strategic investments, revenue trends point toward limited options; however, ESSER funds, which are not included in the statutory funds’ projection, will allow the district to pursue some of these investments.

Long-Term Financial Plan

Previous sections of this publication have presented the district’s strategic plan, including the “Five Priorities for Success.” Through determined focus on its core mission, the district intends to earn the support of the Milwaukee community and key stakeholders who will join us in ensuring that students in Milwaukee Public Schools receive excellent preparation for their futures. Specific strategies to guard the district’s financial viability are as follows:

1. By providing a variety of quality educational environments, being sensitive to the demand that families are demonstrating in their choices, MPS intends to maintain or grow its enrollment. As explained in “Keys to Understanding the Financial Environment and Plan of MPS”, at the end of this section, enrollment is the primary driver of revenues.

2. Continuing to build business and other community partnerships, MPS is leveraging talents and donations (financial and in kind) that are available from people who demonstrate care for the city's children.
3. As a school district, our success is entirely dependent on the day-to-day work of staff. Careful recruiting hiring, and providing well-researched professional development, and competitive compensation will enable talents to be deployed at all levels.
4. Disciplined budgeting and spending will continue to ensure that the district's fund balance is preserved and that debt is at a manageable level for the level of revenues received by MPS. Forecasts are developed to adequately prepare for predictable ebbs and flows of resources, and expenditures are authorized to the level of available revenues. Expenditure monitoring and adjustment is part of the culture of MPS, with school and Central Services leaders accountable for managing the resources in their scope of responsibility. An internal audit division is in place to guard against fraud or waste of the funds entrusted to MPS's care.
5. A proactive and enterprise-wide risk management strategy is in place to limit financial exposures for the district.
6. The district has a formal process of setting priorities for lobbying. Since MPS is funded primarily through government funds, the board, superintendent, and others work in concert to make sure that legislators are aware of the special challenges of providing education in a high-poverty urban setting.
7. The administration is actively seeking ways to improve the efficiency and effectiveness of operations. MPS looks to other school districts and other industries for best-practice methodologies that will allow for meeting the needs of students with available resources.

Fund Balance

The district's policy regarding fund balance is as follows:

- Use of the unassigned fund balance shall require a two-thirds majority vote of the board and shall not impair interim financing (cash-flow borrowing) arrangements. Fund balance is a critical factor in the district's financial planning and budget process. The board will strive to maintain a fiscally responsible fund balance.
- A sufficient fund balance shall be maintained in order to
 - avoid excessive borrowing,
 - accumulate sufficient assets to make designated purchases or cover unforeseen expenditure needs, and
 - demonstrate financial stability to preserve or enhance the district's bond rating, thereby lowering the debt-issuance costs.

A five-year view of the district's fund balance is provided in Chart 3.7. The district has proposed a balanced 2023–24 budget for the following funds: School Operations, School Nutrition Services, Construction, Extension, and Categorical.

Chart 3.7 shows (a) the actual district fund balance for years ended June 30, 2020; June 30, 2021; June 30, 2022; and the final Adopted budget ending June 30, 2023; and (b) the projected fund balance for June 30, 2024.

Chart 3.7 Fund Balance – Five Years

| Fund Balance – Five Years (\$M) | | | | | | |
|---------------------------------|------------------------------------|------------------------------------|------------------------------------|------------------------------------|----------------------------------|----------------------------------|
| Description | Fund Ending Balance 2018-19 Actual | Fund Ending Balance 2019-20 Actual | Fund Ending Balance 2020-21 Actual | Fund Ending Balance 2021-22 Actual | Fund Ending Balance 2022-23 F.A. | Fund Ending Balance 2023-24 P.B. |
| School Operations | \$13.2 | \$16.8 | \$49.3 | \$87.6 | \$87.6 | \$87.6 |
| School Nutrition | 17.8 | 10.8 | (4.8) | (2.6) | (2.6) | (2.6) |
| Construction | 61.8 | 45.5 | 65.1 | 96.9 | 96.9 | 96.9 |
| Extension | 16.5 | 19.3 | 24.0 | 29.2 | 23.5 | 23.5 |
| Categorical | 1.4 | 1.3 | 13.4 | 77.3 | 77.3 | 77.3 |
| Total | \$110.6 | \$93.7 | \$147.0 | \$288.4 | \$282.8 | \$282.8 |



Expenditures by Schools and Office (District Use-of-Funds Summary)

Chart 3.8 shows a district-wide summary of expenditures by the organizational unit or category that uses the funds. For context, “school allocations” are funds directly distributed to the schools. “In school allocations” and “other school allocations” are funds that are centralized by the district but identified to assist schools.

Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

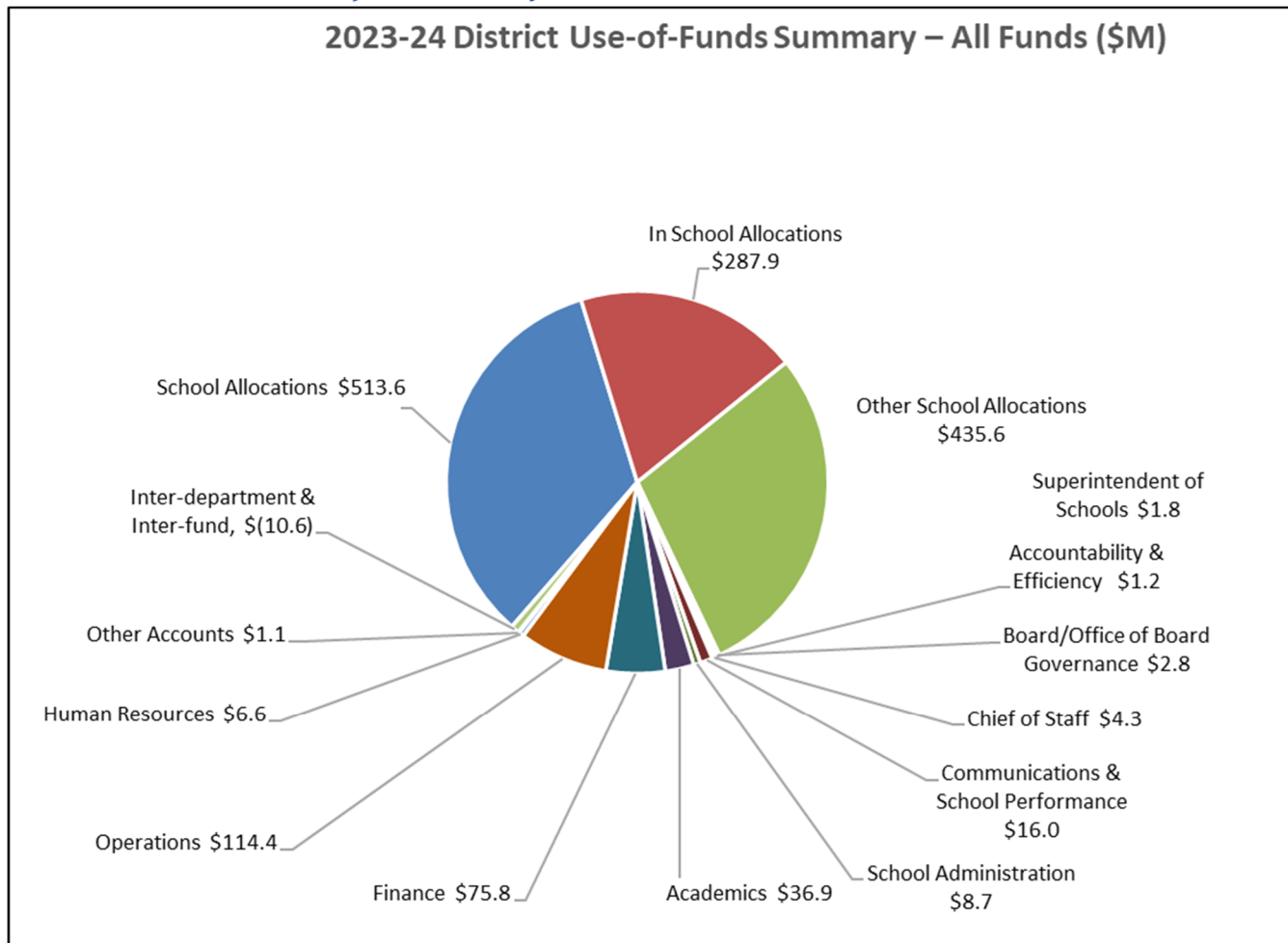
Chart 3.8 District Use-of-Funds Summary

| District Use-of-Funds Summary – All Funds (\$M) | | | | | | |
|---|-------------------|-------------------|-------------------|------------------|------------------|------------------|
| School/Department | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| School Allocations | \$429.9 | \$453.9 | \$463.0 | \$565.6 | \$513.6 | (\$52.0) |
| In School Allocations | 101.7 | 120.8 | 146.6 | 191.0 | 287.9 | 96.9 |
| Other School Allocations | 386.5 | 373.2 | 399.5 | 433.7 | 435.6 | 1.9 |
| Schools Subtotal | \$918.1 | \$947.9 | \$1,009.1 | \$1,190.3 | \$1,237.1 | \$46.8 |
| Board/Office of Board Governance | \$2.4 | \$2.4 | \$2.3 | \$2.8 | \$2.8 | \$0.0 |
| Accountability & Efficiency | 0.9 | 0.9 | 0.9 | 1.1 | 1.2 | 0.1 |
| Superintendent of Schools | 1.9 | 1.7 | 1.5 | 1.9 | 1.8 | (0.1) |
| Chief of Staff | - | - | 1.2 | 11.9 | 4.3 | (7.6) |
| Communications & School Performance | 19.7 | 43.2 | 47.5 | 70.2 | 16.0 | (54.2) |
| School Administration | 40.3 | 55.9 | 53.5 | 46.9 | 8.7 | (38.2) |
| Academics | 47.5 | 47.1 | 82.7 | 189.4 | 36.9 | (152.5) |
| Finance | 74.0 | 50.3 | 77.0 | 75.9 | 75.8 | (0.1) |
| Operations | - | - | - | 226.3 | 114.4 | (111.9) |
| Human Resources | 5.6 | 5.5 | 7.9 | 28.4 | 6.6 | (21.8) |
| Offices Subtotal | \$192.3 | \$207.0 | \$274.4 | \$654.7 | \$268.5 | (\$386.2) |
| Other Accounts | \$108.9 | \$171.0 | \$104.9 | \$29.6 | \$1.1 | (\$28.5) |
| Inter-department & Inter-fund | (8.8) | (6.3) | (6.9) | (6.5) | (10.6) | (4.1) |
| Total | \$1,210.5 | \$1,319.6 | \$1,381.6 | \$1,868.2 | \$1,496.1 | (\$372.1) |

Note: “Actual” expenditures in this chart do not include the district’s commitments at year-end—bills that are paid in the next fiscal year. Although the majority of ESSER funds benefit the schools, these funds are reflected under the departments that oversee the program. This chart also reflects a reorganization of MPS that took effect in FY23.

Chart 3.9 shows the Final Adopted Budget district-wide summary of expenditures by the organizational unit or category using the funds.

Chart 3.9 2023–24 District Use-of-Funds Summary – All Funds



Overview of the Budget Process

The district’s financial planning and budget development is a year-round process, kicking off in August and continuing through the following June for the next fiscal year. The process is guided by the MPS Strategic Plan and the Milwaukee Board of School Directors’ and the superintendent’s unwavering focus on students and schools.

This document and the spending plans herein have been developed by hundreds of stakeholders: community members, business partners, MPS families, school and district staff, etc. Their insights over the budget development time period, coupled with significant internal deliberation and debate on the most prudent investment of resources, result in a budget aligned with our strategic plan and district priorities.

Summaries by Fund

The district’s total projected revenue for 2023–24 is \$1.496 billion, down \$372.1 million compared to the final adopted budget of \$1.868 billion for the previous year. This variation is accounted for, mostly due to the reduction in ESSER funding from the Federal Government after the COVID-19 emergency has subsided.

In April 2020, the voters of the city of Milwaukee passed a referendum that contributed an additional \$3 million into the 2023–24 budget. Even with the increase in funding in FY24, the district has limited resources to keep up with inflationary pressures.

Specifically, the district needs to attract, train, deploy, and retain its staff in the most effective manner to meet student achievement goals. Compensation is an important part of employee morale and motivation. Like many employers in southeastern Wisconsin, MPS faces medical cost increases year after year. Other cost increases include further investment in projects and activities that are showing promise. Given the challenges faced by our community, MPS continues to prioritize areas that show promise for the future success of students.

Chart 3.10 shows a revenue comparison between the 2023–24 Preliminary Budget and the 2022–23 Final Adopted Budget for the district’s five funds.

Chart 3.10 District Revenue Overview

| District Revenue Overview: 2023-24 Proposed Budget Compared to 2022-23 Amended Adopted Budget (\$M) | | | | | | |
|---|-----------------|--------------|--------------|--------------|------------------|------------------|
| | Operations | Nutrition | Extension | Construction | Categorical | Total |
| 2022-23 Amended Adopted Budget | \$1,046.5 | \$47.9 | \$42.3 | \$3.6 | \$727.8 | \$1,868.2 |
| 2023-24 Preliminary Budget | 1,036.2 | 57.7 | 42.5 | 7.1 | 352.6 | 1,496.0 |
| Year-to-Year Increase/(Decrease) | (\$10.4) | \$9.8 | \$0.1 | \$3.4 | (\$375.2) | (\$372.1) |
| | -1.0% | 20.5% | 0.3% | 94.9% | -51.6% | -19.9% |



Chart 3.11 shows the pro forma budgeted revenues and expenditures for the 2023–24 Preliminary Budget. The purpose of this pro forma summary is to display the district-wide budget in a manner that gives readers a summary of 2023–24 projected expenditures by fund and the types of costs budgeted.

Chart 3.11 2023-2024 Pro Forma Summary

| 2023-24 Pro Forma Budgeted Revenues and Expenditures (\$M) | | | | | | |
|--|-------------------|------------------|-----------------|---------------|--------------|------------------|
| | School Operations | School Nutrition | Categorical | Extension | Construction | Total |
| Revenues | \$1,036.2 | \$57.7 | \$352.6 | \$42.5 | \$7.1 | \$1,496.0 |
| Expenditures | | | | | | |
| Salaries and Wages | \$457.0 | \$15.1 | \$115.4 | \$13.6 | \$0.0 | \$601.1 |
| Employee Benefits | 249.4 | 9.4 | 58.3 | 6.8 | - | 323.9 |
| Total Salary and Benefits | \$706.3 | \$24.5 | \$173.7 | \$20.4 | \$0.0 | \$925.0 |
| Student Transportation | \$68.0 | \$0.0 | \$0.4 | \$0.1 | \$0.0 | \$68.5 |
| Contracted Services | 100.8 | 1.8 | 39.4 | 5.6 | - | 147.6 |
| Construction Contracts | - | - | - | 15.1 | 7.1 | 22.2 |
| Interdistrict Student Tuition | 42.9 | - | 0.1 | - | - | 43.0 |
| Utilities | 24.3 | - | - | 0.4 | - | 24.6 |
| Maintenance Contracts | 6.5 | - | - | 0.1 | - | 6.7 |
| Telephone | 2.3 | 0.0 | - | 0.0 | - | 2.4 |
| Postage | 0.8 | - | 0.0 | 0.1 | - | 0.9 |
| Other Purchased Services | - | 0.3 | 1.1 | (0.9) | - | 0.5 |
| Total Purchased Services | \$245.6 | \$2.1 | \$40.9 | \$20.6 | \$7.1 | \$316.3 |
| Debt Service | \$29.7 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$29.7 |
| Textbooks | \$11.7 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$11.7 |
| Non-Text Books | 4.0 | - | - | - | - | 4.0 |
| Consumable Supplies | 22.7 | 2.7 | 3.1 | 0.4 | - | 28.9 |
| Other Supplies | 5.0 | 26.0 | 2.3 | 0.3 | - | 33.6 |
| Total Supplies | \$43.3 | \$28.8 | \$5.5 | \$0.7 | \$0.0 | \$78.3 |
| Insurance | \$7.7 | \$0.1 | \$0.0 | \$0.3 | \$0.0 | \$8.0 |
| Capital Expenses | \$1.2 | \$0.6 | \$0.0 | \$0.5 | \$0.0 | \$2.3 |
| Building Modifications | 2.4 | 0.7 | - | - | - | 3.1 |
| Total Capital Expenses | \$3.6 | \$1.3 | \$0.0 | \$0.5 | \$0.0 | \$5.4 |
| Other Accounts | \$0.0 | \$0.9 | \$160.7 | \$0.0 | \$0.0 | \$161.6 |
| Less Indirect Costs | \$0.0 | \$0.0 | (\$28.2) | \$0.0 | \$0.0 | (\$28.2) |
| Total | \$1,036.2 | \$57.7 | \$352.6 | \$42.5 | \$7.1 | \$1,496.0 |

Summary Data by Fund

School Operations Fund

The majority of district revenues are capped by the state’s revenue limit regulations in place since 1993. For MPS, the projected revenue limit for 2023–24 is \$847.5 million, which is \$31.6 million lower than 2022–23. This includes the \$3.0 million referendum fund increase for the year bringing the referendum total to \$87.0 million.

The district will see an overall decrease of 1.0 percent in the district’s operating fund, which will lead to difficult choices that will have to be made to provide services to children without eroding the district’s limited fund balance. The decrease caused the district to have a status quo budget that was balanced through a vacancy rate adjustment that is greater than it has ever been. This reflects the difficulty in hiring staff during this time of pandemic.

For 2023–24, the budget plans a Construction Fund tax levy at \$5.0 million, which is \$3.2 million more than the \$1.8 million tax levy in 2022–23. The district moved this funding into the operating fund to better meet the needs of our students. Notably, the district’s use of local tax levy for the Construction Fund will decrease this year. However, work is being done using Elementary and Secondary School Emergency Relief (ESSER) funds received in response to the pandemic; otherwise, it would not have been possible to schedule the funds within the year.

The district will be able to continue major maintenance work in 2023–24 by use of revenue from prior years and ESSER funding. Fund balance in the Construction Fund includes assigned and unassigned funds. Unassigned funds (e.g., applied surplus) can be used for new projects. In addition, previously assigned funds can be redirected when projects are completed under budget or become unnecessary.



Revenues by Source – School Operations Fund

Chart 3.12 shows a summary of the School Operations Fund revenues by source and type. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.12 School Operations Fund – Revenues by Source

| School Operations Fund – Revenues by Source (\$M) | | | | | | |
|---|-------------------|-------------------|-------------------|------------------|------------------|-----------------|
| Description | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Property Tax Levy, Equalization and Integration Aids | | | | | | |
| Property Tax Levy | \$236.2 | \$276.1 | \$273.1 | \$283.6 | \$283.6 | \$0.0 |
| General Equalization Aid | 563.1 | 573.0 | 593.5 | 564.9 | 534.7 | (30.2) |
| Integration Aid | 30.3 | 30.5 | 31.2 | 31.5 | 31.5 | - |
| Poverty Aid | 5.0 | 5.0 | 3.9 | 3.9 | 3.9 | - |
| Computer Aid | 8.8 | 8.8 | 8.9 | 8.9 | 7.5 | (1.4) |
| Deduction for Choice/Charter | (42.8) | (36.7) | (20.8) | (13.7) | (13.7) | - |
| Subtotal | \$800.6 | \$856.7 | \$889.7 | \$879.1 | \$847.5 | (\$31.6) |
| State Handicapped Aids | | | | | | |
| Handicapped Aids | \$45.5 | \$56.6 | \$55.0 | \$55.5 | \$62.0 | \$6.5 |
| Subtotal | \$45.5 | \$56.6 | \$55.0 | \$55.5 | \$62.0 | \$6.5 |
| Other State Aids | | | | | | |
| Transportation Aid | \$2.2 | \$2.2 | \$1.4 | \$1.3 | \$1.3 | \$0.0 |
| Library Aid | 5.7 | 5.2 | 5.3 | 4.7 | 4.7 | - |
| Bilingual Aid | 1.2 | 1.3 | 1.4 | 1.7 | 1.7 | - |
| Summer School Aid | - | - | - | - | - | - |
| Tuition from State | 0.4 | 0.2 | 0.1 | 0.5 | 0.5 | - |
| General State Aid | 56.1 | 55.1 | 53.4 | 51.6 | 49.8 | (1.8) |
| Other State Aids | 8.4 | 2.7 | 0.4 | 0.8 | 0.8 | - |
| Subtotal | \$74.0 | \$66.5 | \$62.0 | \$60.6 | \$58.9 | (\$1.8) |
| Federal Aids | | | | | | |
| Other Federal Aids | \$0.0 | \$0.0 | \$1.0 | \$0.0 | \$0.0 | \$0.0 |
| Federal Reimbursement - QSCB | 1.4 | 0.5 | - | 3.8 | 3.8 | - |
| Indirect Cost Aids | 6.3 | 12.8 | 10.0 | 14.9 | 28.2 | 13.3 |
| Medicaid Reimbursements | 6.7 | 7.2 | 9.2 | 7.4 | 7.4 | - |
| Subtotal | \$14.4 | \$20.5 | \$20.2 | \$26.1 | \$39.4 | \$13.3 |
| Local Revenues | | | | | | |
| TIF and Other City Related | \$0.0 | \$0.0 | \$2.1 | \$0.3 | \$0.3 | \$0.0 |
| Student Programs Reimbursement | 0.2 | 0.1 | 0.4 | 0.3 | 0.3 | - |
| Student Fees/Admissions | - | - | - | - | - | - |
| Tuition | 16.6 | 19.0 | 18.5 | 15.0 | 18.0 | 3.0 |
| Interest Earned | 0.6 | 0.2 | 0.3 | 0.4 | 0.4 | - |
| Debt Proceeds | - | - | - | - | - | - |
| Rental | 3.0 | 2.8 | 2.7 | 2.9 | 2.9 | - |
| OPEB Member Contributions | - | - | - | 5.0 | 5.2 | 0.2 |
| Refunds/Ins. Proceeds | 10.0 | 9.6 | 10.2 | 1.1 | 1.1 | - |
| Miscellaneous | 0.7 | 1.2 | 0.8 | 0.3 | 0.3 | - |
| Subtotal | \$31.2 | \$33.0 | \$34.9 | \$25.2 | \$28.4 | \$3.2 |
| Total without Carryover | \$965.8 | \$1,033.3 | \$1,061.9 | \$1,046.5 | \$1,036.2 | (\$10.4) |
| Carryover | - | - | - | - | - | - |
| Total with Carryover | \$965.8 | \$1,033.3 | \$1,061.9 | \$1,046.5 | \$1,036.2 | (\$10.4) |

The 2023–24 revenue estimates for major sources were made in accordance with the state biennial budget. The 2023–24 budget marks the first year of the State’s biennial budget but does contain a small revenue limit increase for MPS. The district adjusted its budget in the fall when state aids were certified. Fall enrollment was determined and updated estimates of costs or revenues were made available.

Other aids and revenues are estimated on the basis of recent trends and/or specific information available from funding sources. For example, handicapped aids are based on prior-year expenditures. Spring projections for this revenue rely on estimates of a year-end level of costs, but the Final Adopted Budget uses prior-year actuals (unaudited) as the basis for the projection.

Major revenue sources for the School Operations and School Nutrition Services Funds are described below. Descriptions for other revenue categories are included in the glossary.

Equalization Aid

Equalization aid is based on the following: (1) expenditures and enrollment of the prior year; (2) district property values, which the state considers to be a measure of community wealth; and (3) the cost of the Milwaukee Parental Choice Program, which the district is required to subsidize.

Integration Aid

The state makes payments to school districts to encourage racial and cultural balance by means of intra- and inter-district transfers. MPS operates an *intra-district program*, making it legally responsible for transporting both city and suburban pupils in the *inter-district program*. This has been declining since the state legislature stopped enrollment as of 2015–16.

State Handicapped Aid

Handicapped aid is paid by the state to assist districts with the education and transportation of children with special education needs. The aid is calculated as a percentage of prior years’ special needs transportation, salary, and benefit costs.

Other State Aids

Other aids paid by the state include computer aid, poverty aid, bilingual education aid, transportation aid, library aid, and general aid.

Federal Aids

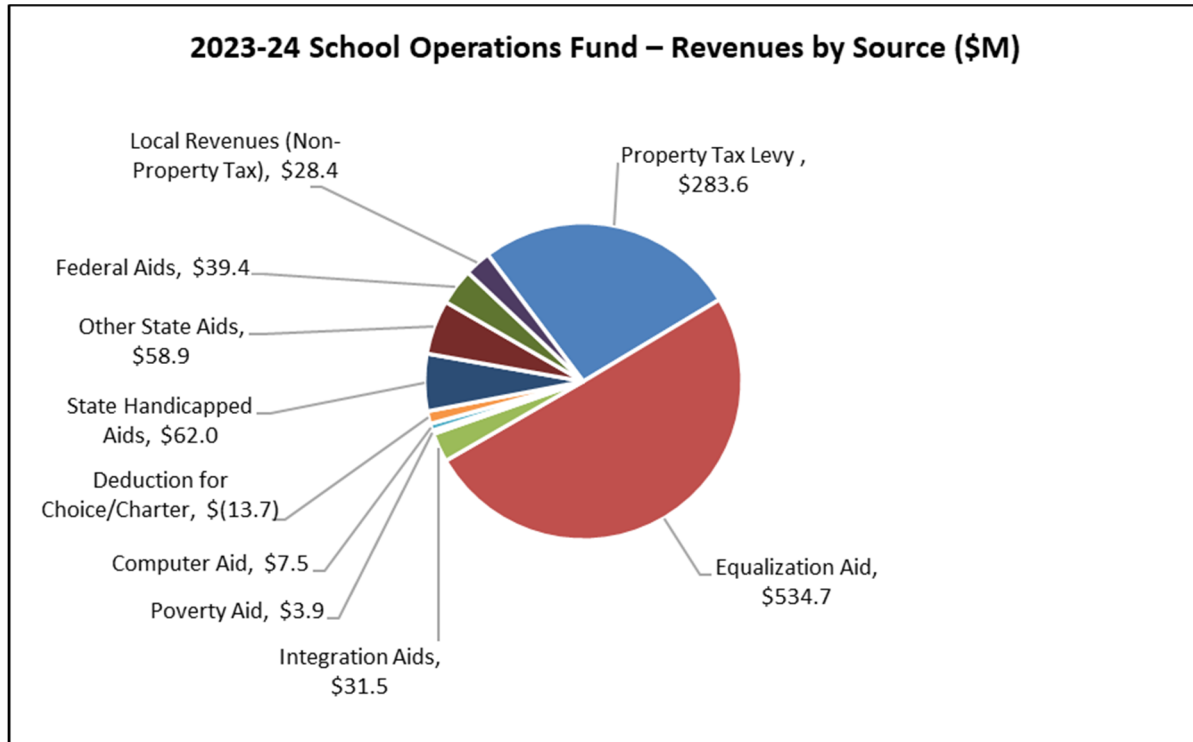
Federal aids include school nutrition aid, Medicaid billing aid, and indirect aid. The school nutrition aid is distributed through the state as reimbursement for food service programs operated by the district. Medicaid billing aid is the reimbursement for health-related services being provided by schools to Medicaid-eligible special education students. Indirect aid is the reimbursement for costs that are required to operate a program but are not directly identifiable to a specific program.

Local Revenues

Local revenues include the revenues received from the sale of à la carte food items to students and meals to adults as well as interest earned on the district’s checking accounts, mobile home fees, rental income, and tuition.

Chart 3.13 shows the major revenue sources for the School Operations Fund 2023–24 Preliminary Budget.

Chart 3.13 2023–24 School Operations Fund – Revenues by Source



Expenditures by Object – School Operations Fund

Chart 3.14 shows the School Operations Fund expenditures by object. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

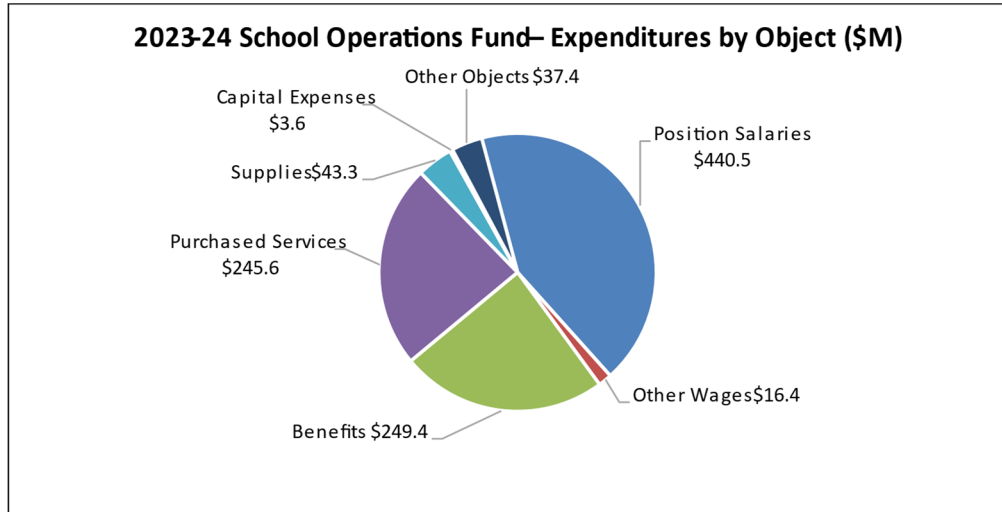
Chart 3.14 School Operations Fund – Expenditures by Object

| School Operations Fund – Expenditures by Object (\$M) | | | | | | |
|---|----------------|------------------|------------------|------------------|------------------|----------------------------|
| Object | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | FY23 vs. FY24 Inc/(Dec) |
| | Actual | Actual | Actual | F.A. | P.B. | |
| Position Salaries | \$390.8 | \$411.2 | \$403.8 | \$449.2 | \$440.5 | (\$8.7) |
| Other Wages | 19.8 | 15.4 | 20.8 | 18.6 | 16.4 | (2.2) |
| Benefits | 224.8 | 262.0 | 245.2 | 235.9 | 249.4 | 13.5 |
| Purchased Services | 248.6 | 206.0 | 241.0 | 242.3 | 245.6 | 3.3 |
| Supplies | 24.0 | 30.5 | 35.7 | 53.2 | 43.3 | (9.9) |
| Capital Expenses | 2.8 | 2.9 | 3.3 | 3.4 | 3.6 | 0.2 |
| Other Objects | 51.4 | 72.8 | 73.7 | 43.9 | 37.4 | (6.5) |
| Total | \$962.2 | \$1,000.8 | \$1,023.6 | \$1,046.5 | \$1,036.2 | (\$10.4) |

Chart 3.14 above shows insignificant changes in year-to-year expenditures, including an overall decrease in expenditures in 2023–24.

Chart 3.15 shows the expenditures by object for the School Operations Fund of the 2023-24 Preliminary Budget.

Chart 3.15 2023-24 School Operations Fund – Expenditures by Object



Five-Year Projection – School Operations Fund

Chart 3.16 shows an estimate of revenues and expenditures in the School Operations Fund (general and debt) for each year through 2026-27. Information includes (a) three years of actuals, 2019-20, 2020-21, 2021-22 (b) the final Adopted Budget for 2022-23, (c) the Preliminary Budget for 2023-24, and an early estimate of revenues and expenditures for each year, 2024-25, 2025-26, 2026-27, 2027-28 and (d) the change from the Proposed Budget 2023-24 budget to the estimated 2027-28 budget.

Chart 3.16 School Operations Fund – Five-Year Projection

| School Operations Fund – Five-Year Projection (\$M) | | | | | | | | | |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|----------------|
| | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | FY28 vs. FY24 |
| | Actual | Actual | F.A. | Estimated | Estimated | Estimated | Estimated | Estimated | Inc / (Dec) |
| Federal Revenues | \$20.5 | \$20.2 | \$26.1 | \$39.4 | \$40.4 | \$40.5 | \$40.6 | \$40.6 | \$1.2 |
| State Revenues | 703.6 | 733.7 | 711.6 | 684.8 | 702.5 | 703.5 | 704.5 | 705.5 | 20.7 |
| Local Revenues | 309.2 | 308.0 | 308.8 | 312.0 | 320.1 | 320.5 | 321.0 | 321.4 | 9.4 |
| Revenues (without applied surplus) | \$1,033.3 | \$1,061.9 | \$1,046.5 | \$1,036.2 | \$1,063.0 | \$1,064.5 | \$1,066.0 | \$1,067.5 | \$31.3 |
| Expenditures | | | | | | | | | |
| Salaries/Wages | \$426.6 | \$424.6 | \$467.8 | \$457.0 | \$515.2 | \$533.2 | \$552.4 | \$572.2 | \$115.3 |
| Benefits | 262.0 | 245.2 | 235.9 | 249.4 | 292.4 | 302.8 | 313.4 | 324.4 | 75.0 |
| Purchased Services | 206.0 | 241.0 | 242.3 | 245.6 | 254.4 | 258.8 | 262.4 | 265.9 | 20.3 |
| Supplies/Materials | 30.5 | 35.7 | 53.2 | 43.3 | 45.4 | 46.6 | 38.5 | 31.9 | (11.5) |
| Capital Purchases | 2.9 | 3.3 | 3.4 | 3.6 | 2.9 | 3.0 | 3.0 | 3.1 | (0.5) |
| Other Objects | 72.8 | 73.7 | 43.9 | 37.4 | 47.4 | 38.3 | 38.5 | 38.8 | 1.4 |
| Total Expenditures | \$1,000.8 | \$1,023.7 | \$1,046.5 | \$1,036.2 | \$1,157.7 | \$1,182.7 | \$1,208.2 | \$1,236.3 | \$200.1 |
| Balance (before use of prior-year funds) | 32.5 | 38.3 | - | - | (94.7) | (118.2) | (142.2) | (168.8) | (142.2) |
| Use of Prior-Year Funds for Legacy Costs | - | - | - | - | - | - | - | - | - |
| Final Surplus/(Deficit) | \$32.5 | \$38.3 | \$0.0 | \$0.0 | (\$94.7) | (\$118.2) | (\$142.2) | (\$168.8) | |
| Cumulative Surplus/(Deficit) | \$49.3 | \$87.6 | \$87.6 | \$87.6 | (\$7.1) | (\$125.3) | (\$267.5) | (\$436.3) | |

Revenue projections for the School Operations Fund are conservative. The district’s revenue limit will increase only if the state adjusts the revenue limit formula or MPS enrollment grows. The per-pupil categorical aid has been stagnant for the last 2 years. MPS also needs to allocate more tax levy authority to the Construction Fund in future years per MBSD parameters.

School operations expenditures, projected as though operations remain largely the same, are expected to increase by \$200.1 million between 2022–24 and 2026–28. The primary driver of the cost increase is the increase in salaries, as the district has implemented a salary for employees. The administration is pursuing options and alternatives to stabilize enrollment and contain costs, which will help MPS avoid the projected deficits if the status quo is maintained.

Debt Service

Debt service refers to financial resources that are restricted, committed, or assigned to expenditures for the payment of general long-term debt principal, interest, and related costs. These costs are reported in the School Operations Fund for budgeting purposes. The 2023–24 Preliminary Budget for the year’s total debt payments due within the year is \$29.7 million for FY24. New debt was issued in December 2017 to fund major maintenance projects at numerous schools.

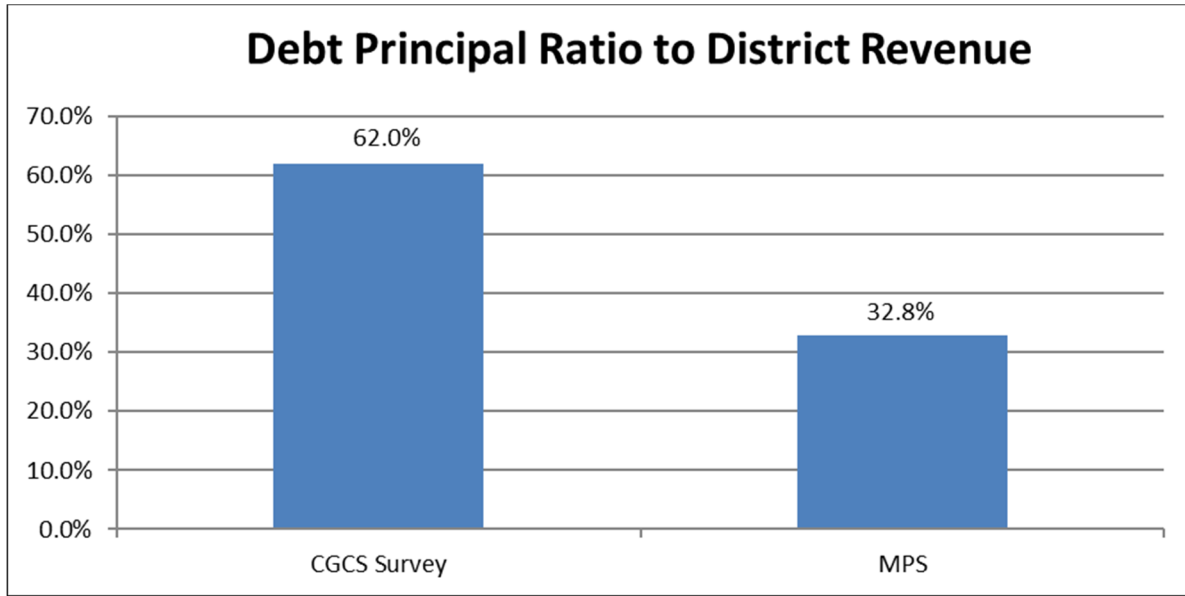
The Council of the Great City Schools (CGCS) conducts an annual survey of urban school districts. From this survey, information on the debt principal ratio is collected. The ratio measures the outstanding principal debt at a point in time as a portion of the entity’s annual revenues for that year.

For comparative purposes, in fiscal year 2020–21 (the most recent CGCS year of data), the median debt principal ratio to district revenue for urban school districts was 62 percent, while MPS’s was 32.8 percent. This indicates that MPS is leveraged at a much lower level than many other school districts, making more funds available for learning resources.



Chart 3.17 shows MPS's 2019–20 ratio (the most recent year for data) compared to a survey of CGCS districts.

Chart 3.17 Debt Principal Ratio to District Revenue



Source: Managing for Results in America's Great City Schools, CGCS, October 2022

Debt Management

MPS was established on February 3, 1846, and operates under Chapter 119 of Wisconsin Statutes. MPS is effectively treated as a department of the City of Milwaukee but authorized by law to adopt its own budget. The city is required to levy and collect property taxes to support the MPS budget.

MPS does not have the authority to issue debt. The City of Milwaukee has authority under Chapters 67 and 119 of Wisconsin Statutes to issue municipal obligations for specific school purposes. Bonded indebtedness issued by the city under Chapter 119 for school purposes is limited to 2.0 percent of the full value of taxable property in Milwaukee. Bonded indebtedness issued by the city under Chapter 67 for school purposes counts against the city's debt limit of 5.0 percent of the full value of taxable property in the city. Retaining the City's high "investment grade" bond rating is of prime importance and serves to maintain low borrowing costs. The low costs of borrowing, both for capital and cash flow purposes, produce direct benefits to the taxpayer. The City continues to maintain a high investment grade rating of AA- from Fitch and grade A from Standard & Poor's for the City's most recent 2021 General Obligation Bonds. By definition, the bond ratings are a measure of the quality and safety of a bond based on the issuers' financial condition.

When debt financing is contemplated, MPS enters into an intergovernmental cooperation agreement with the City of Milwaukee for any issuance. Financing structures are formulated to provide the most effective cost and maturity structure for the district while enabling the achievement of the desired project goals. The Redevelopment Authority of the City of Milwaukee (RACM) is the entity that has issued debt on behalf of MPS for some of the district's financing needs. Tables on subsequent pages include notation of RACM where appropriate.

An example of debt issuance directed by strategic goals was the revenue bonds for the Neighborhood Schools Initiative. The bonds were issued to improve neighborhood school attendance and thereby reduce transportation costs. Another example is taxable pension funding bonds, which financed unfunded actuarial accrued liability to save the district millions of dollars in interest annually.

MPS conforms to all state and local statutes governing the investment of public funds as well as applicable federal and state regulatory requirements. All issuance of debt, whether short-term or long-term, is approved by the MBSD.

Chart 3.18 Outstanding Debt – 10 Years

| Outstanding Debt | |
|------------------|------------------------|
| Fiscal Year | Debt Outstanding (\$M) |
| 2013 | 342.2 |
| 2014 | 337.3 |
| 2015 | 367.2 |
| 2016 | 359.3 |
| 2017 | 382.8 |
| 2018 | 402.8 |
| 2019 | 385.2 |
| 2020 | 366.0 |
| 2021 | 348.0 |
| 2022 | 327.9 |

Debt costs are budgeted and managed in the School Operations Fund and recorded as a non-major fund in the district’s annual financial report. Chart 3.18 just above provides a summary of MPS’s outstanding debt over ten fiscal years. Debt amounts for the 2013 through 2022 fiscal years were stated in the 2022 Annual Comprehensive Financial Report (ACFR).

Debt Capacity

Short-Term and Long-Term Borrowing – Statutory Borrowing Limitations

Wisconsin Statute § 67.12(1)(a) limits issuance of short-term notes—borrowing that lasts less than two years—to 60 percent of the estimated School Operations Fund revenues for the respective fiscal year. Due to the cash provided by the American Rescue Plan Act, the City did not issue the regular School Revenue Anticipation Notes during the Fall 2021. This increased the district’s short-term borrowing capacity. Charts 3.19–3.22 highlight the district’s short- and long-term borrowing.

Chart 3.19 Short-Term Borrowing – Statutory Borrowing Limitations

| Description | Amount (\$M) |
|--|--------------|
| Total School Operations Fund Revenues for 2022-23 | \$1,093.9 |
| Statutory Borrowing Limit of 60 percent of Estimated School Operations Revenue | \$656.3 |
| Less Outstanding School Revenue Anticipation Notes, None issued in 2021 | \$0.0 |
| Unused Short-Term Borrowing Capacity | \$656.3 |

Chart 3.20 Short-Term Borrowing Percentages

| Description | Percentage |
|---|------------|
| Percentage of Borrowing Limit Used | 0.0% |
| Percentage of Borrowing to Estimated Revenues | 0.0% |

Chart 3.21 Short-Term Borrowing – Statutory Borrowing Limitations

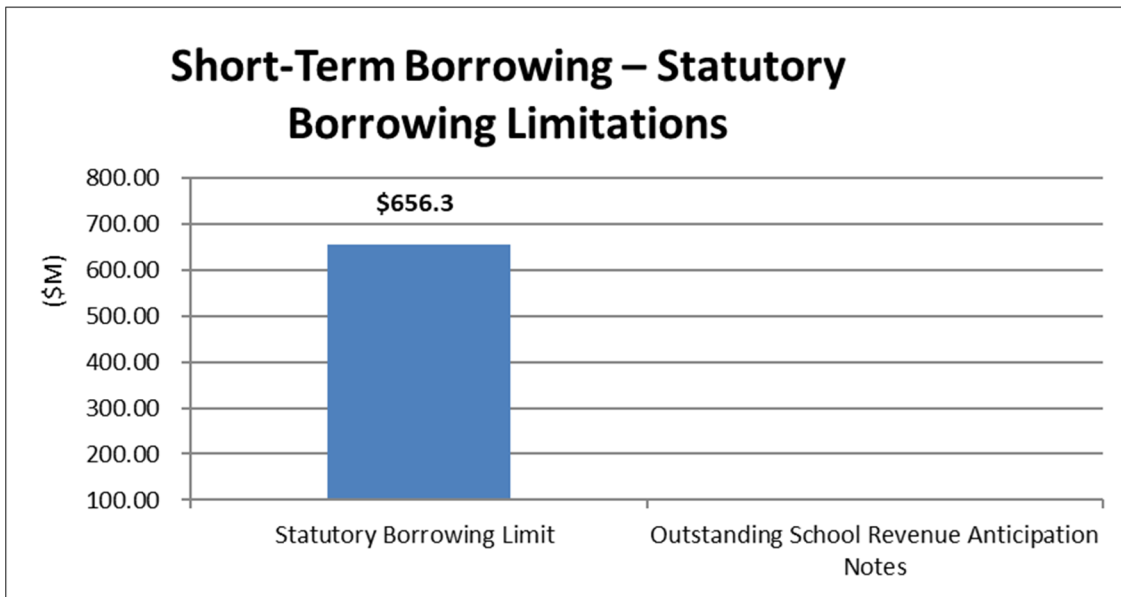


Chart 3.22 Short-Term Borrowing – Statutory Borrowing Limitations

| Description | Amount (\$M) |
|--|--------------|
| 2 Percent of City of Milwaukee Equalized Value for 2022 | \$789.0 |
| Outstanding General Obligation Debt Subject to 2 Percent Limit at 11/15/22 | (\$1.5) |
| Total Unused Debt Capacity for School Purpose Borrowing | \$787.5 |
| Total Unused Debt Capacity for School Purpose Borrowing Percentage | 99.8% |

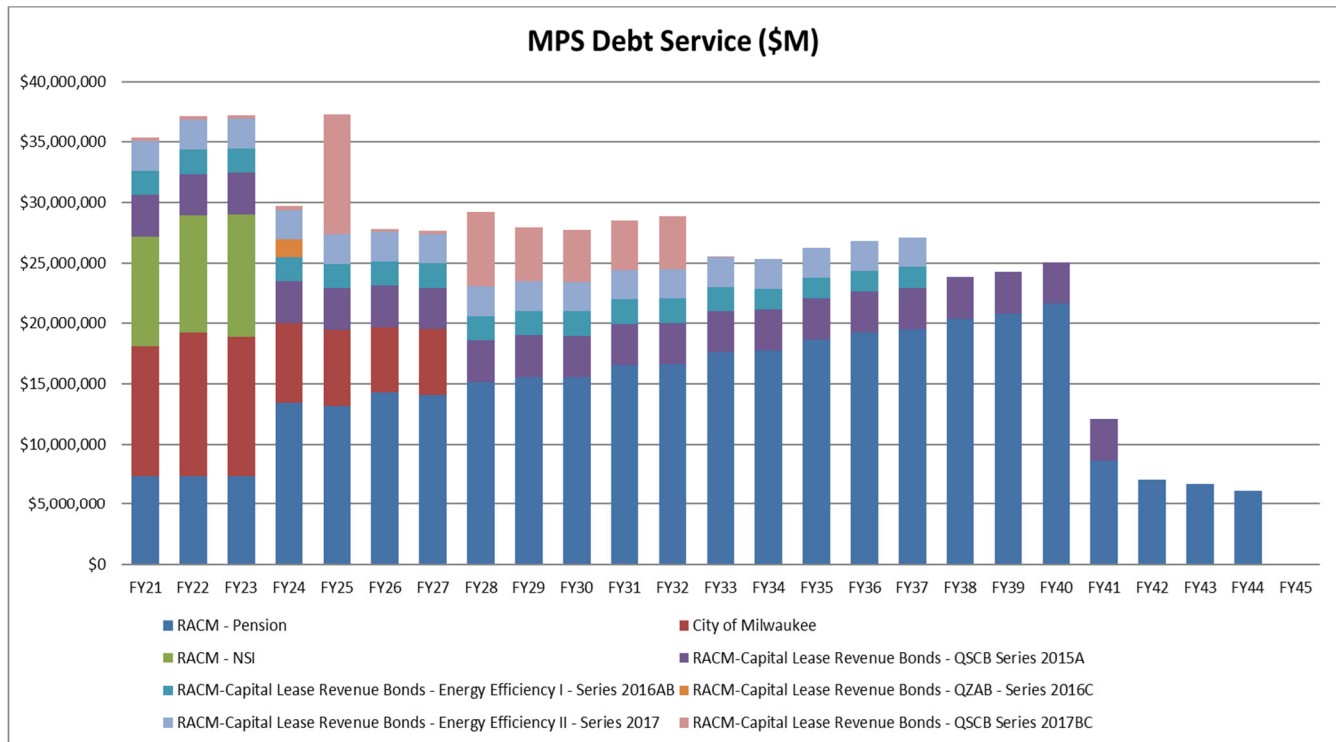
Chart 3.23 is a table of MPS's existing debt service requirements, assuming no IRS subsidy rebate and no interest earnings on the sinking fund payments (annual payments to a trustee for future debt principal obligations).

Chart 3.23 Milwaukee Public Schools Debt

| Milwaukee Public Schools Debt as of 6/30/2022 | | | | |
|---|--|------------|-----------------|--|
| Purpose | Name of Bond Issue | Maturity | Original Amount | Outstanding Principal Balance at 6/30/2022 |
| Americans with Disabilities Act loans: | | | | |
| ADA loans for improvements and modifications to comply with provisions of the Americans with Disabilities Act. | Series 2009 N1 Notes | Feb, 2019 | 2,700,000 | 0 |
| | Series 2009 B2 Bonds | Feb, 2024 | 1,350,000 | 0 |
| | Series 2012 N2 Bonds (partially refund ADA Series W & Y) | May, 2019 | 443,810 | 0 |
| Qualified School Construction Bonds: | | | | |
| Provide financing for various school construction projects. | Series 2009 M6 Bonds (QSCBs) | Dec, 2025 | 12,000,000 | 2,690,625 |
| | Series 2010 M6 Bonds (QSCBs) | Feb, 2027 | 37,300,000 | 15,250,000 |
| RACM Lease Revenue Bonds: | | | | |
| To fund additions and improvements at: | | | | |
| Athletic Facilities and various MPS Schools. | RACM Series 2015A (from QSCB Allocation) | June, 2041 | 38,000,000 | 27,769,231 |
| Energy Efficiency - I at various MPS Schools | RACM Series 2016A | Nov, 2032 | 18,710,000 | 14,530,000 |
| Energy Efficiency - I at various MPS Schools | RACM Series 2016B (QECBs) | Nov, 2036 | 6,275,000 | 6,275,000 |
| Culinary and Arts Academies | RACM Series 2016C (from QZAB Allocation) | Nov, 2051 | 1,470,000 | 1,470,000 |
| Energy Efficiency - II at various MPS Schools | RACM Series 2017 | Nov, 2036 | 29,730,000 | 25,870,000 |
| To fund additions and improvements at: | RACM Series 2017B (from QSCB Allocation) | Nov, 2050 | 10,000,000 | 9,860,000 |
| various MPS Schools. | RACM Series 2017C (from QSCB Allocation) | Nov, 2050 | 24,933,000 | 24,333,000 |
| General Obligation Bonds: | | | | |
| GO Bonds to refinance a portion of the RACM Series 2005A bonds. | Series 2013 N2 Bonds (partially refund RACM Series 2005) | May, 2021 | 4,095,000 | 0 |
| GO Bonds to refinance a portion of the ADA Series A5 Bonds issued for Schools June 7, 2005 "Refunded". | 2015 N2 (Refunding of Series A5 Bonds issued for Schools June 7, 2005 "Refunded") | Mar, 2020 | 3,515,347 | 0 |
| GO Bonds to refinance a portion of the RACM Series 2005A Lease Revenue Bonds. | 2015 N2 (Refunding of RACM Series 2005A, refinanced 2013) | Mar, 2025 | 3,175,000 | 2,460,222 |
| GO Bonds to refinance a portion of the RACM Series ADA GO Series 2009 B2 Bonds. | Series 2019 N3 Notes | Apr, 2024 | 1,236,560 | 494,623 |
| RACM Revenue Bonds: | | | | |
| Provide funds in conjunction with the Neighborhood Schools Initiative, the district's multifaceted program that enhances district facilities and programs while positively impacting district transportation. | RACM Series 2002A and 2003A issued 2002 & 2003, refinanced 2007, 2013, and 2017 for the Neighborhood Schools Initiative Bonds. | Aug, 2023 | 218,570,000 | 11,247,290 |
| Pension Debt Refinancing: | | | | |
| Provide funds to retire an unfunded actuarial accrued liability owed to the Wisconsin Retirement System with respect to retirement benefits for MPS employees. | RACM Series 2003D index bonds (pension obligation bonds) | Oct, 2043 | 130,850,000 | 130,850,000 |
| | RACM Series 2003C Capital Appreciation Bonds | Apr, 2041 | 110,525,000 | 50,067,922 |
| | GO Series 2003 M10 Capital Appreciation Bonds | Apr, 2023 | 46,715,000 | 4,725,745 |
| Total | | | | \$327,893,658 |

Chart 3.24 shows a graphical representation of MPS’s existing debt service requirements to fiscal year 2045, assuming no IRS subsidy rebate and no interest earnings on the sinking fund payments.

Chart 3.24 Milwaukee Public Schools Debt Service



*Note: As described earlier, RACM refers to the Redevelopment Authority of the City of Milwaukee, and NSI is the Neighborhood Schools Initiative.

Chart 3.24 above also shows how various existing debt obligations will grow or shrink in future years. For example, in 2023–24, MPS is scheduled to retire the RACM-NSI debt, have lower obligations for funds borrowed directly from the City of Milwaukee, and face a significant increase in payments due for pension financing.

School Nutrition Services Fund

The School Nutrition Services Fund is an enterprise fund that accounts for the breakfast, lunch, and other meal programs operated by the district for students. The Department of Nutrition Services within the Office of Finance manages the fund and administers the National School Lunch and School Breakfast Programs in all MPS schools as well as the USDA Afterschool Snack Program, Child and Adult Care Food Program, Summer Food Service Program, and the Fresh Fruit and Vegetable Program. Revenues for the fund include federal and state aids and revenue earned from cafeteria sales. The budgeted \$57.7 million in revenue is an increase of \$9.8 million compared to \$47.9 million of budgeted revenues received in FY23. The Budgeted fund balance at the end of FY23 is a negative \$2.6 million and the district will need to repurpose funding from other balances to reconcile the overage.

Revenues by Source – School Nutrition Services Fund

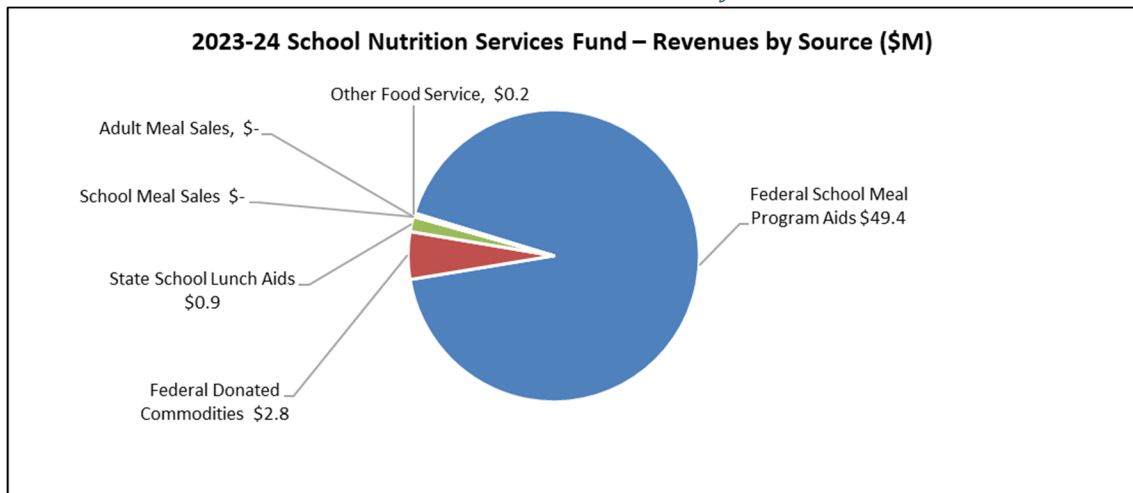
Chart 3.25 shows the revenues by source in the School Nutrition Services Fund. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.25 School Nutrition Services Fund – Revenues by Source

| School Nutrition Services Fund – Revenues by Source (\$M) | | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|-----------------|-----------------|--------------|
| Description | 2018-19 Actual | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Federal School Meal Program Aids | \$49.3 | \$41.3 | \$12.2 | \$48.9 | \$44.0 | \$49.4 | \$5.4 |
| Federal Donated Commodities | 1.2 | 1.2 | 1.8 | 1.2 | 3.6 | 2.8 | (0.8) |
| State School Lunch Aids | 1.0 | 0.9 | 0.8 | - | - | 0.9 | 0.9 |
| School Meal Sales | 0.7 | 0.5 | - | 0.4 | - | - | - |
| Applied Surplus | - | - | - | - | - | 4.4 | 4.4 |
| Adult Meal Sales | - | - | - | - | - | - | - |
| Other Food Service | - | - | 0.1 | 0.1 | 0.3 | 0.2 | (0.1) |
| Total | \$52.2 | \$44.0 | \$15.0 | \$50.6 | \$47.9 | \$57.7 | \$9.8 |

Chart 3.26 shows the revenues by source for the School Nutrition Services Fund of the 2023-24 Superintendent’s Proposed Budget.

Chart 3.26 2023–24 School Nutrition Services Fund – Revenues by Source



Expenditures by Object – School Nutrition Services Fund

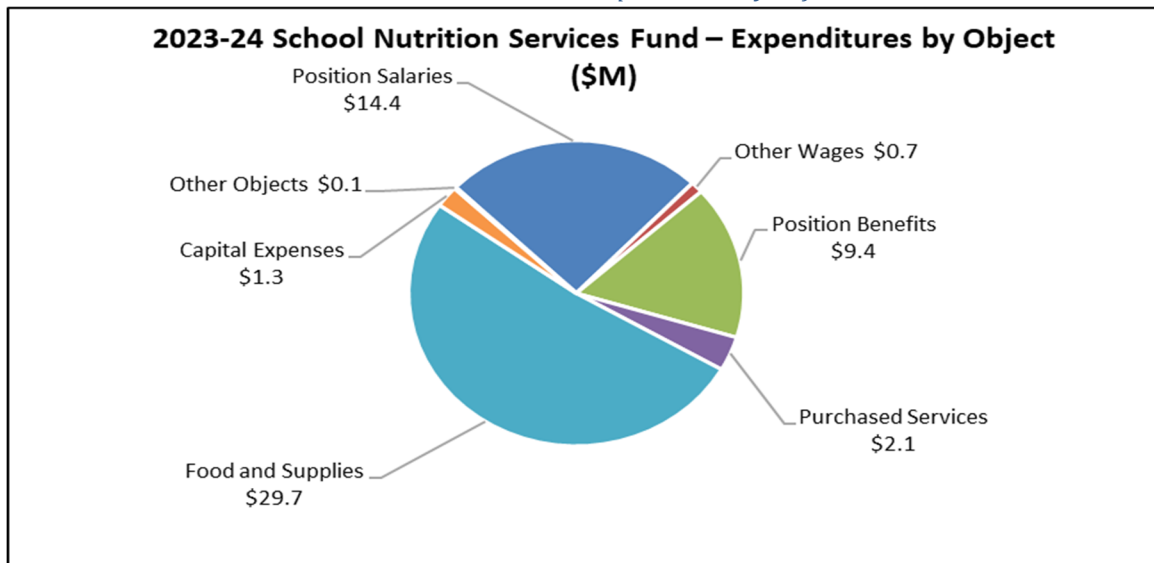
Chart 3.27 shows the School Nutrition Services Fund expenditures by object. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.27 School Nutrition Services Fund – Expenditures by Object

| School Nutrition Services Fund – Expenditures by Object (\$M) | | | | | | |
|---|-------------------|-------------------|-------------------|-----------------|-----------------|--------------|
| Object | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Position Salaries | \$12.0 | \$10.9 | \$11.9 | \$15.0 | \$14.4 | (\$0.7) |
| Other Wages | 1.3 | 0.8 | 0.6 | 0.6 | 0.7 | 0.1 |
| Position Benefits | 9.4 | 7.1 | 7.9 | 9.5 | 9.4 | (0.2) |
| Purchased Services | 1.6 | 0.4 | 1.2 | 1.5 | 2.1 | 0.6 |
| Food and Supplies | 26.4 | 10.3 | 26.7 | 19.8 | 29.7 | 9.9 |
| Capital Expenses | 0.3 | 1.1 | 0.1 | 1.3 | 1.3 | - |
| Other Objects | - | - | - | 0.1 | 0.1 | - |
| Total | \$51.0 | \$30.6 | \$48.4 | \$47.9 | \$57.7 | \$9.8 |

Chart 3.28 shows the expenditures by object for the School Nutrition Services Fund of the 2023–24 Preliminary Budget.

Chart 3.28 2023–24 School Nutrition Services Fund – Expenditures by Object



Five-Year Projection – School Nutrition Services Fund

In 2023–24, MPS will be in its tenth year of participating in the Community Eligibility Provision, wherein high-poverty districts serve free meals to all students. Student participation has been impacted by the pandemic, staffing vacancies and more pre-pack meal service. In 2023–24 the goal is to resume pre-pandemic meal service. Revenues are projected to increase modestly in future years, due to increased student participation and the rate of reimbursement that has kept pace with inflation. Like the School Operations Fund, the School Nutrition Services Fund must cover the cost of employee medical coverage. The program also includes a major component—food—where general inflation and more stringent nutritional requirements may outpace the rate of reimbursement. The Department of Nutrition Services staff will continue to develop operational efficiencies to maintain a balanced budget.

Chart 3.29 shows an estimate of revenues and expenditures in the School Nutrition Services Fund for each year through 2027–28. Information includes (a) three years of actuals, 2019–20, 2020–21, 2021–22 (b) the final Adopted Budget for 2022–23, (c) the Preliminary Budget for 2023–24, and an early estimate of revenues and expenditures for each year, 2024–25, 2025–26, 2026–27, 2027–28 and (d) the change from the Proposed Budget 2023–24 budget to the estimated 2027–28 budget.

Chart 3.29 School Nutrition Services Fund – Five-Year Projection

| School Nutrition Services Fund – Five-Year Projection (\$M) | | | | | | | | | | |
|---|----------------|-----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|-----------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | FY28 vs. FY24 |
| | Actual | Actual | Actual | F.A. | P.B. | Estimated | Estimated | Estimated | Estimated | Incr. / (Decr.) |
| Federal Revenues | \$42.5 | \$14.0 | \$50.2 | \$47.6 | \$52.2 | \$53.0 | \$53.8 | \$54.6 | \$55.5 | \$3.3 |
| State Revenues | 1.0 | \$0.9 | \$0.0 | 0.3 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 0.2 |
| Local Revenues | 0.5 | \$0.1 | \$0.4 | 0.0 | 4.6 | 4.6 | 4.7 | 4.8 | 4.8 | 0.3 |
| Revenues (without applied surplus) | \$44.0 | \$15.0 | \$50.6 | \$47.9 | \$57.7 | \$58.6 | \$59.5 | \$60.4 | \$61.3 | \$3.8 |
| Expenditures | | | | | | | | | | |
| Salaries/Other Wages | \$13.3 | \$11.7 | \$12.5 | \$15.6 | \$15.1 | \$15.4 | \$15.7 | \$16.0 | \$16.3 | 1.2 |
| Benefits | 9.4 | \$7.1 | \$7.9 | 9.5 | 9.4 | 9.8 | 10.4 | 10.9 | 11.1 | 1.7 |
| Purchased Services | 1.6 | \$1.5 | \$1.3 | 1.5 | 2.1 | 2.1 | 2.2 | 2.2 | 2.2 | 0.1 |
| Supplies/Materials | 26.7 | 10.3 | 26.7 | 21.3 | 31.1 | 31.4 | 31.8 | 32.2 | 32.8 | 1.7 |
| Total Expenditures | \$51.0 | \$30.6 | \$48.4 | \$47.9 | \$57.7 | \$58.7 | \$60.1 | \$61.3 | \$62.4 | \$4.7 |
| Final Surplus/(Deficit) | (\$7.0) | (\$15.6) | \$2.2 | \$0.0 | \$0.0 | (\$0.1) | (\$0.6) | (\$0.9) | (\$1.1) | |
| Cumulative Surplus/(Deficit) | \$10.8 | (\$4.8) | (\$2.6) | (\$2.6) | (\$2.6) | (\$2.7) | (\$3.3) | (\$4.2) | (\$5.3) | |

Construction Fund

The Construction Fund is used to account for and report financial resources that are intended for the acquisition or construction of capital facilities and the additions to or remodeling of existing buildings. The fund is managed by the Department of Facilities and Maintenance Services within the Office of School Administration and provides services to maintain district facilities and grounds in a safe, clean, and environmentally compliant manner.

In January and May 2017, the MBSD approved resolutions to exceed the revenue limit by the amount needed to finance energy efficiency projects. The resolutions note that this action is under authority granted in Wisconsin Statute § 121.91(4)(o). In December 2017, the board approved the amount above the revenue limit, which is \$3.9 million for the 2022–23 school year.

The 2023–24 Preliminary Budget for the Construction Fund anticipates revenues and authorizes expenditures of \$7.1 million. Notably, the district’s use of local tax levy for the Construction Fund will increase to \$5.0 million. However, work is being done using Elementary and Secondary School Emergency Relief (ESSER) funds received in response to the pandemic.

The district maintains a Long-Term Capital Improvement Trust Fund, which DPI has identified as Fund 46. Fund 46 is for the purpose of accumulating funds for future capital projects. The district established this new fund in the Final Adopted Budget, which is a portion of the Construction Fund in 2015. Under state guidelines, Wisconsin Statute § 120.137, the district deposited \$250,000 in Fund 46 as a 2014–15 aidable expenditure, \$2.5 million in 2015–16, \$30.0 million in 2020–21 and an additional \$36.0 million in 2021–22 in the same manner. The funds can be used only for construction/maintenance purposes and may be accessed five years after the initial deposit.

Revenues by Source – Construction Fund

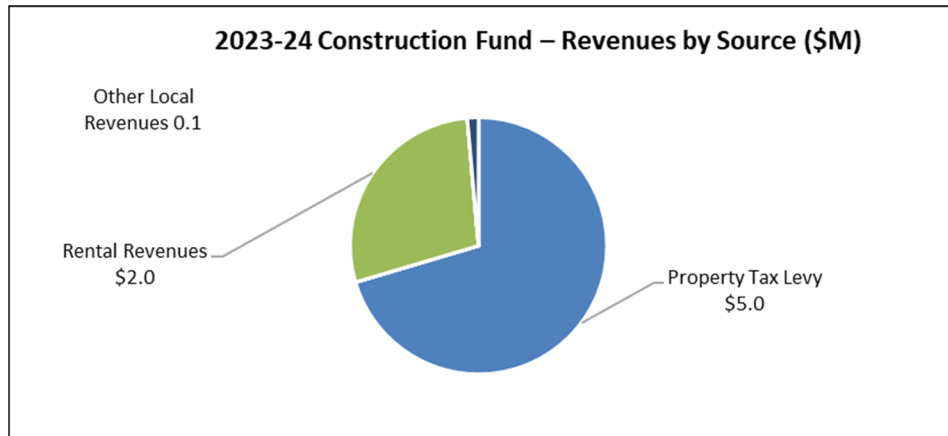
Chart 3.30 shows the revenues by source for the Construction Fund. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.30 Construction Fund – Revenues by Source

| Construction Fund – Revenues by Source (\$M) | | | | | | |
|--|-------------------|-------------------|-------------------|-----------------|-----------------|--------------|
| Description | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Property Tax Levy | \$1.5 | \$4.6 | \$2.9 | \$1.8 | \$5.0 | \$3.2 |
| Proceeds from Borrowing | - | - | - | - | - | - |
| Rental Revenues | 1.1 | 1.9 | 2.1 | 1.7 | 2.0 | 0.2 |
| Capital/Fixed Asset Sale | 0.4 | 0.6 | 0.8 | - | - | - |
| Capital Trust Fund | - | 30.0 | 36.0 | - | - | - |
| Applied Surplus | - | - | - | - | - | - |
| Other Local Revenues | 0.6 | 0.1 | - | 0.1 | 0.1 | - |
| Total | \$3.5 | \$37.1 | \$41.8 | \$3.6 | \$7.1 | \$3.5 |

Chart 3.31 shows the revenues by source for the Construction Fund of the 2023-24 Preliminary Budget.

Chart 3.31 2023–24 Construction Fund – Revenues by Source



Expenditures by Project – Construction Fund

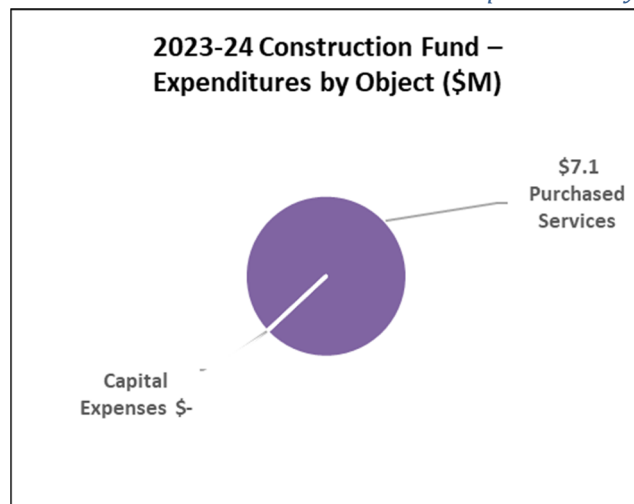
Chart 3.32 shows the Construction Fund expenditures by object. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.32 Construction Fund – Expenditures by Object

| Construction Fund – Expenditures by Object (\$M) | | | | | | |
|--|-------------------|-------------------|-------------------|-----------------|-----------------|--------------|
| Project | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Position Salaries | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 |
| Other Wages | - | - | - | - | - | - |
| Position Benefits | - | - | - | - | - | - |
| Purchased Services | 1.7 | 2.0 | 3.3 | 3.1 | 7.1 | 4.0 |
| Food and Supplies | - | - | - | - | - | - |
| Capital Expenses | 18.1 | 15.6 | 6.7 | 0.5 | - | (0.5) |
| Other Objects | - | - | - | - | - | - |
| Total | \$19.8 | \$17.6 | \$10.0 | \$3.6 | \$7.1 | \$3.5 |

Chart 3.33 shows the expenditures by project for the Construction Fund of the 2023–24 Preliminary Budget.

Chart 3.33 2023–24 Construction Fund – Expenditures by Object



Five-Year Projection – Construction Fund

The Construction Fund projection allocates limited resources available for maintenance and remodeling. The forecast estimates approximately \$19.0 million of major maintenance annually based on the district’s capacity to complete quality repairs and improvements. In past years MPS has spent more than the estimate. If this trend continues, the fund balance could be depleted by the 2026–27 school year.

Chart 3.34 shows an estimate of revenues and expenditures in the Construction Fund for each year through 2026–27. Information includes (a) three years of actuals, 2019–20, 2020–21, 2021–22 (b) the final Adopted Budget for 2022–23, (c) the Preliminary Budget for 2023-24, and an early estimate of revenues and expenditures for each year, 2024–25, 2025–26, 2026–27, 2027-28 and (d) the change from the Proposed Budget 2023–24 budget to the estimated 2027–28 budget.

Chart 3.34 Construction Fund – Five-Year Projection

| Construction Fund – Five-Year Projection (\$M) | | | | | | | | | | |
|--|-----------------|---------------|---------------|---------------|---------------|-----------------|-----------------|-----------------|-----------------|---------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | FY28 vs. FY24 |
| | Actual | Actual | Actual | F.A. | P.B. | Estimated | Estimated | Estimated | Estimated | Inc / (Dec) |
| Revenues | | | | | | | | | | |
| Property Tax | \$1.5 | \$4.6 | \$2.9 | \$1.8 | \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$5.0 | \$0.0 |
| Other Revenues/ Transfers In | 2.0 | 32.5 | 38.9 | 1.8 | 2.1 | 2.1 | 2.1 | 2.1 | 2.1 | - |
| Total Revenues | \$3.5 | \$37.1 | \$41.8 | \$3.6 | \$7.1 | \$7.1 | \$7.1 | \$7.1 | \$7.1 | \$0.0 |
| Expenditures | | | | | | | | | | |
| Salaries/Other Wages | - | - | - | - | - | - | - | - | - | - |
| Benefits | - | - | - | - | - | - | - | - | - | - |
| Purchased Services/ Capital Outlays | 19.8 | 17.6 | 10.0 | 3.6 | 7.1 | 25.0 | 25.0 | 25.0 | 25.0 | - |
| Food, Supplies, Other | - | - | - | 0.5 | - | - | - | - | - | - |
| Total Expenditures | \$19.8 | \$17.6 | \$10.0 | \$3.6 | \$7.1 | \$25.0 | \$25.0 | \$25.0 | \$25.0 | \$0.0 |
| Final Surplus/(Deficit) | (\$16.3) | \$19.5 | \$31.8 | \$0.0 | \$0.0 | (\$17.9) | (\$17.9) | (\$17.9) | (\$17.9) | |
| Cumulative Surplus/(Deficit) | \$45.5 | \$65.0 | \$96.8 | \$96.8 | \$96.8 | \$78.9 | \$61.0 | \$43.1 | \$25.2 | |

Capital Expenditures and the Construction Fund

The district’s primary annual capital spending is for the proper maintenance of its facilities. Its facilities serve a student enrollment of over 66,000 as well as administrative and maintenance needs. MPS currently manages over 17 million square feet of facilities on 207 sites. Wisconsin Statute § 65.07(1)(f) provides for taxes not exceeding \$0.6 million on each dollar of the assessed valuation of all taxable property in the city to fund MPS’s Construction Fund, as constituted and for the purposes specified in Wisconsin Statute § 119.48, including constructing and maintaining school buildings, additions thereto, or remodeling existing buildings.

In October 2017, MPS contracted with MGT of America Consulting, LLC to develop recommendations for long-range facility master planning to address the future facility needs of the district. Using input from the community, the goal of a master plan was to create a blueprint or roadmap based on best-practice facility standards that identified and prioritized facility needs and presented strategies for effective and efficient facility improvement and usage over the planning period. For this project, the MGT team gathered facility and community data.

A long-range facilities master plan provides a cost-effective, actionable plan to address the short- and long-term facility needs of the district. The plan includes a comprehensive analysis of education trends, school programming, capacity-building standards, operating costs, and other factors. This information will be used to allocate resources and make decisions for the long-term best interests of our students and community. The community input/feedback sessions included a total of eight large-group meetings held at various locations across the district and two informal opportunities at scheduled recreation program events. An online survey that was open to the community at large and open to high school students during a social studies class allowed even greater participation. A total of more than 8,000 people responded to the online survey, including nearly 4,000 students. The long-range facilities master plan was approved by the board in the spring of 2018.

The district’s 2023–24 Preliminary Budget for the Construction Fund projects revenues that total \$7.1 million.

Chart 3.35 shows the major maintenance capital projects that are budgeted in the Construction Fund.

Chart 3.35 Major Maintenance Capital Projects – Construction Fund

| FY24 Facilities and Maintenance Capital Projects – Construction Fund (\$M) | |
|---|----------------------|
| Project Description | Estimate (\$) |
| OSHA/ST Mandates | \$0.0 |
| Environmental Code Compliance including Water | 0.0 |
| Fountain Replacements and Filters | |
| Major Maintenance | 6.2 |
| Major Remodeling | 0.2 |
| Security Projects | 0.0 |
| Regional Development | 0.3 |
| Vehicle Replacement | 0.5 |
| Total | \$7.1 |

Routine Capital Spending

The district adopted a cyclic maintenance plan in 1999 that guides the annual prioritization of facility improvements such as window replacements and boiler repairs. The plan identifies thirty-six primary components that the Department of Facilities and Maintenance Services replaces and repairs to keep district buildings safe, attractive, and efficient.

Non-Routine Capital Spending

Based on the strategic plan, enrollment trends, and specific educational or operational goals, the district periodically identifies remodeling and refurbishing projects. New construction for instructional school buildings has not been funded in the district for several years, given an inventory of buildings that are available for a smaller student population. Energy savings performance contract firms are working on energy savings and infrastructure improvements in the 2023–24 fiscal year.

Impact of Capital Spending on the Annual Budget

The cyclic maintenance plan is designed and executed to maximize the useful life of facility components. The Department of Facilities and Maintenance Services uses repair data and expertise to minimize investment in, for example, boiler or roof repairs when the frequency of repairs will cost more than a replacement. Therefore, the capital spending as listed in Chart 3.35 represents an investment that reduces routine repair costs and/or energy consumption. This enables the district to use more resources for classroom-focused spending.

When borrowed funds are used for capital improvement, the subsequent debt costs are an annual draw on the district’s operating revenues. When the district is paying for annual debt service related to a capital improvement, the cost of that improvement is effectively spread over the number of years that it is being used by the district.

Capital Assets

The child-bearing-age population in Milwaukee is not growing, the Milwaukee population is getting older, and the live birth rate is declining. Therefore, unless programmatic or facility changes lead to higher student recruitment and retention rates, MPS can reasonably expect that its enrollment will decline over the next ten years.

In Milwaukee, many schools are inefficient in regard to their use of space for enrollment and programming. There are forty-two schools that have enrollment efficiency ratings of less than 70.0 percent. These schools are significantly underutilized. They may have empty spaces or may have expanded people/programs to occupy the spaces. They may or may not have created spaces for all required programs—for example, art and music—because they may not have staff to lead these programs.

There are also forty-two schools that have enrollment efficiency ratings of more than 110.0 percent. These schools are significantly overutilized. They have no empty spaces and likely have expanded people and programs into every possible location in the building. The buildings with overcapacity likely lack core space—restrooms, media center, cafeteria, and hall spaces—to accommodate the enrollment. They may have to operate with multiple lunch periods and maybe move students at different times to reduce overcrowding in corridors.

Milwaukee has many old buildings, with the average age approaching 80 years old. Many buildings may have difficulty meeting the district’s goal of offering schools that provide 21st-century learning opportunities and support the needs of diverse learners. Despite the age of district schools, the average building condition score of 79 is at the top of the “fair” category and indicates that many buildings have been well maintained. The highest average score is for technology readiness, which reflects how well the district’s infrastructure supports the standards in place. The high technology-readiness scores are likely due to the significant emphasis that the district has placed on technology for both student and teacher support.

The district defines capital assets as listed in Chart 3.36 below and uses a straight-line depreciation method over the useful life of the asset.

Chart 3.36 Capital Asset Depreciation

| Asset Type | Capitalization Threshold | Estimated Useful Life |
|---------------------------------|--------------------------|-----------------------|
| Buildings | \$5,000 | 50 years |
| Furniture and Equipment | 5,000 | 5-20 years |
| Vehicles | 5,000 | 5-15 years |
| Computers and Related Equipment | 5,000 | 5 years |
| Major Computer | 50,000 | 7 years |
| Intangible Assets | 50,000 | 7 years |

Source: 2022 MPS ACFR

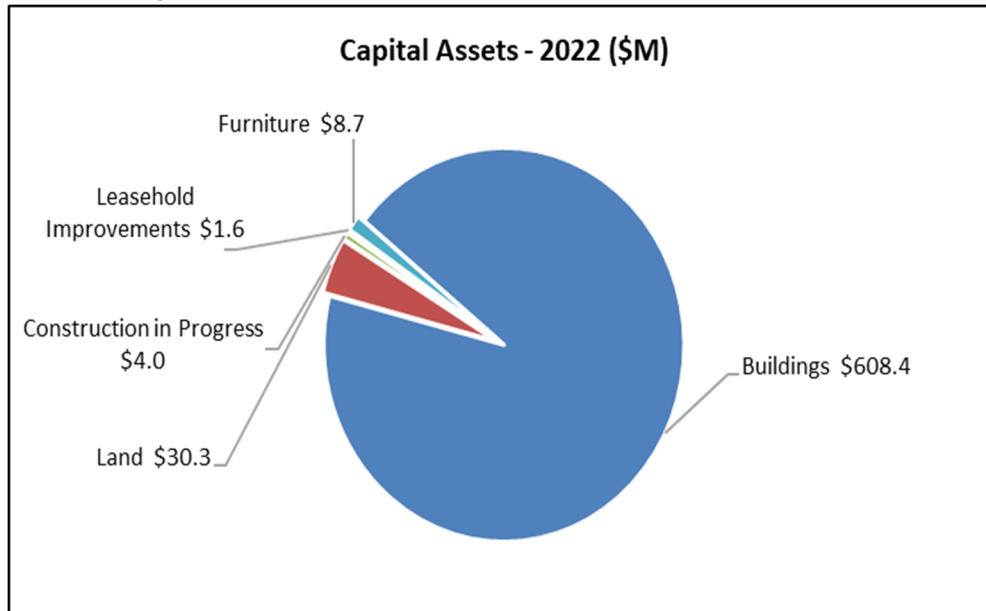
Charts 3.37 and 3.38 show that the district’s capital assets of \$652.9 million are primarily buildings.

Chart 3.37 Capital Assets

| Capital Assets - 2022 (\$M) | |
|-----------------------------|----------------|
| Asset Type | Balance |
| Buildings | \$ 608.4 |
| Land | \$ 30.3 |
| Construction in Progress | \$ 4.0 |
| Leasehold Improvements | \$ 1.6 |
| Furniture | \$ 8.7 |
| Total | \$652.9 |

Source: 2022 MPS ACFR

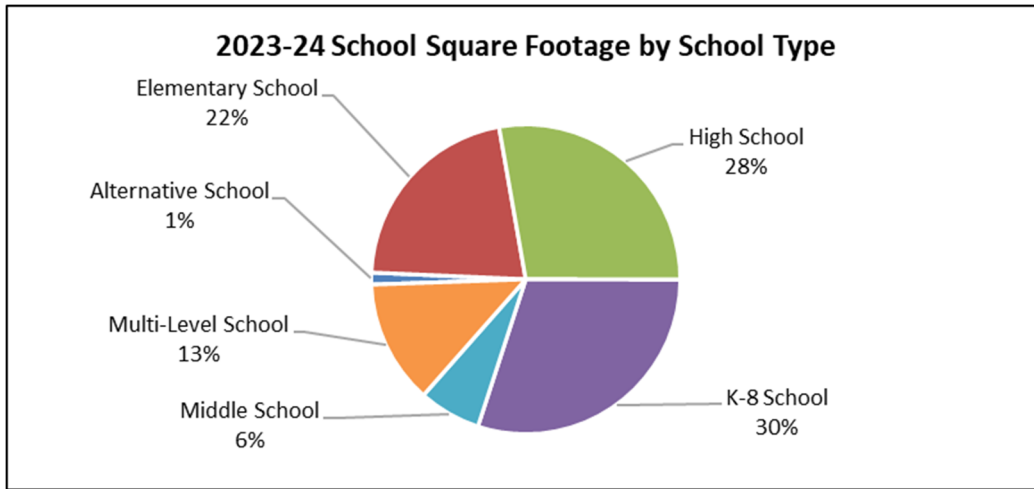
Chart 3.38 Capital Assets



Source: 2022 MPS ACFR

Chart 3.39 illustrates the breakdown of square footage by school type for MPS traditional and instrumentality charter schools.

Chart 3.39 2023–24 School Square Footage by School Type



Extension Fund

The Extension Fund is used to record financial transactions related to recreational activities and is jointly managed by the Office of Finance, the Office of Communications and School Performance, the Office of Academics, and the Office of Operations. The 2023-24 Preliminary Budget for the Extension Fund totals \$42.5 million, which is an \$11.7 million increase compared to actual revenues for 2021–22.

Revenues by Source – Extension Fund

Chart 3.40 shows the revenues for the Extension Fund. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

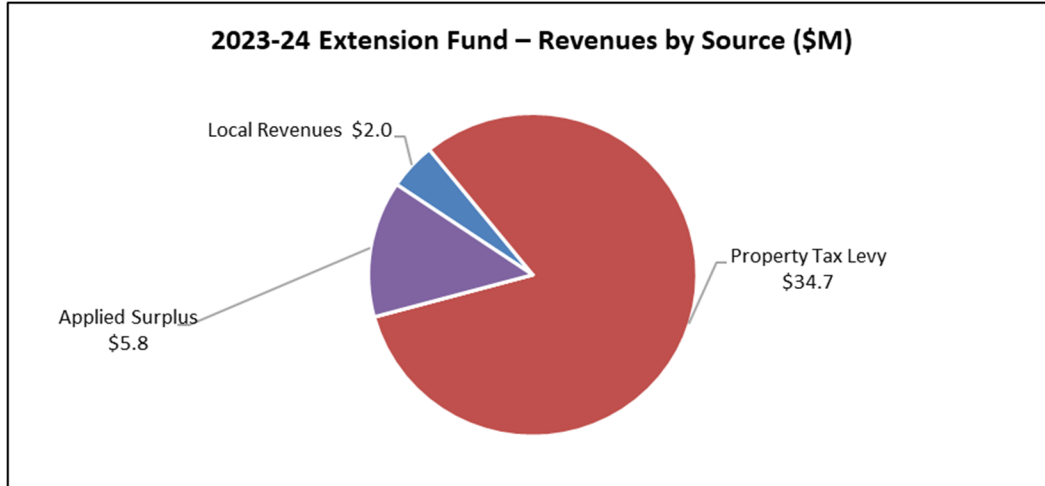
Chart 3.40 Extension Fund – Revenues by Source

| Extension Fund – Revenues by Source (\$M) | | | | | | |
|--|---------------------------|---------------------------|---------------------------|-------------------------|-------------------------|------------------|
| Description | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Local Revenues | \$1.1 | \$0.1 | \$1.0 | \$2.0 | \$2.0 | \$0.0 |
| Property Tax Levy | 25.2 | 27.2 | 29.7 | 34.7 | 34.7 | - |
| State/Federal Revenues | - | 0.1 | - | - | - | - |
| Applied Surplus | - | - | - | 5.6 | 5.8 | 0.1 |
| Total | \$26.3 | \$27.4 | \$30.8 | \$42.3 | \$42.5 | \$0.1 |

Wisconsin Statutes § 120.13(19) and § 119.47 give the Milwaukee Board of School Directors authority to establish a fund to support community programs and services outside the regular curricular and extracurricular programs. As stated in the statute, “The school board may establish and collect fees to cover all or part of the costs associated with such programs and services.”

Chart 3.41 shows the revenues by source for the Extension Fund of the 2023–24 Preliminary Budget.

Chart 3.41 2023–24 Extension Fund – Revenues by Source



Expenditures by Object – Extension Fund

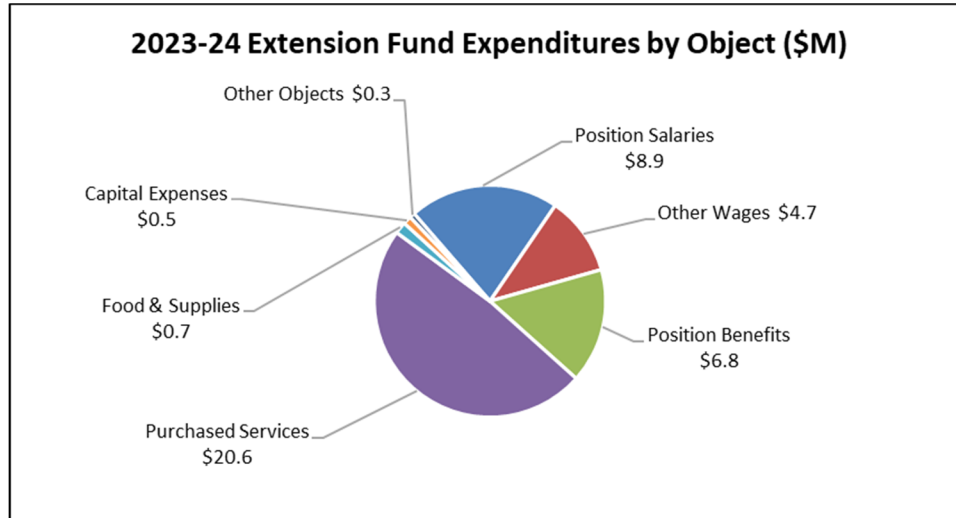
Chart 3.42 shows the Extension Fund expenditures by object. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.42 Extension Fund – Expenditures by Object

| Extension Fund – Expenditures by Object (\$M) | | | | | | |
|---|-------------------|-------------------|-------------------|-----------------|-----------------|--------------|
| Object | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Position Salaries | \$5.6 | \$5.9 | \$6.3 | \$8.6 | \$8.9 | \$0.3 |
| Other Wages | 4.6 | 2.0 | 4.0 | 5.2 | 4.7 | (0.5) |
| Position Benefits | 2.8 | 2.8 | 3.9 | 4.8 | 6.8 | 2.0 |
| Purchased Services | 9.3 | 9.7 | 10.4 | 22.2 | 20.6 | (1.6) |
| Food and Supplies | 0.7 | 1.4 | 0.9 | 0.7 | 0.7 | - |
| Capital Expenses | 0.1 | 0.3 | 0.1 | 0.5 | 0.5 | - |
| Other Objects | 0.3 | 0.5 | 0.1 | 0.3 | 0.3 | - |
| Total | \$23.5 | \$22.6 | \$25.7 | \$42.3 | \$42.5 | \$0.2 |

Chart 3.43 shows the expenditures by object for the Extension Fund of the 2023–24 Preliminary Budget.

Chart 3.43 2023–24 Extension Fund – Expenditures by Object



Five-Year Projection – Extension Fund

For purposes of the forecast, the tax levy revenue shows that the \$5.0 million increase in FY23 has been held constant for the years displayed in the forecast. In the fall of each year, the board has the opportunity to set the levy for this fund in the context of the district’s overall levy. The levy for the Extension Fund is not limited by the state’s revenue limit for school districts. Using fund balance (i.e., applied surplus) is feasible for a few years insofar as the Extension Fund balance exceeds 40.0 percent of the annual operating cost. Over time, use of fund balance would diminish the district’s overall financial position.



As with other MPS funds that include personnel costs, increased medical costs are a key factor in projected resource shortfalls. The administration will continue its efforts to identify revenue sources that support our high-quality community programs and examine all related cost drivers that might be managed more effectively.

Chart 3.44 shows an estimate of revenues and expenditures in the Extension Fund for each year through 2026–27. Information includes (a) three years of actuals, 2019–20, 2020–21, 2021–22 (b) the final Adopted Budget for 2022–23, (c) the Preliminary Budget for 2023-24, and an early estimate of revenues and expenditures for each year, 2024–25, 2025–26, 2026–27, 2027-28 and (d) the change from the Proposed Budget 2023–24 budget to the estimated 2027–28 budget.

Chart 3.44 Extension Fund – Five-Year Projection

| Extension Fund – Five Year Projection | | | | | | | | | | |
|---|---------------|---------------|---------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | FY27 vs. FY24 |
| | Actual | Actual | Actual | F.A. | P.B. | Estimated | Estimated | Estimated | Estimated | Inc / (Dec) |
| Revenues | | | | | | | | | | |
| Local Revenues | \$1.1 | \$0.1 | \$1.0 | \$2.0 | \$2.0 | \$2.0 | \$2.0 | \$2.0 | \$2.0 | \$0.0 |
| Property Tax Levy | 25.2 | 27.2 | 29.7 | 34.7 | 34.7 | 36.7 | 38.7 | 40.7 | 42.7 | 0.0 |
| State/Federal Revenues | 0.0 | 0.1 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Applied Surplus | 0.0 | 0.0 | 0.0 | 0.0 | 5.8 | 0.0 | 0.0 | 0.0 | 1.0 | 0.0 |
| Total Revenues, Ex-Applied Surplus | \$26.3 | \$27.4 | \$30.7 | \$36.7 | \$36.7 | \$38.7 | \$40.7 | \$42.7 | \$44.7 | \$0.0 |
| Expenditures | | | | | | | | | | |
| Salaries/Other Wages | \$10.2 | \$7.9 | \$10.3 | \$13.8 | \$13.6 | \$13.9 | \$14.1 | \$14.3 | \$14.5 | \$0.8 |
| Benefits | 2.8 | 2.8 | 3.8 | 4.8 | 6.8 | 7.1 | 7.5 | 7.6 | 7.7 | 0.9 |
| Purchased Services | 9.3 | 9.7 | 10.4 | 22.3 | 20.6 | 20.9 | 21.2 | 21.5 | 21.8 | 1.2 |
| Supplies/Materials | 0.7 | 1.4 | 1.0 | 0.9 | 1.0 | 1.0 | 1.0 | 1.0 | 1.0 | 0.1 |
| Capital Improvements | 0.5 | 0.8 | 0.1 | 0.5 | 0.5 | 0.6 | 0.9 | 0.9 | 0.9 | 0.4 |
| Total Expenditures | \$23.5 | \$22.6 | \$25.6 | \$42.3 | \$42.5 | \$43.5 | \$44.6 | \$45.3 | \$46.0 | \$3.5 |
| Final Surplus/(Deficit) | \$2.8 | \$4.8 | \$5.1 | (\$5.6) | (\$5.8) | (\$4.8) | (\$3.9) | (\$2.6) | (\$1.3) | |
| Cumulative Surplus/(Deficit) | \$19.3 | \$24.0 | \$29.2 | \$23.6 | \$17.8 | \$13.0 | \$9.1 | \$6.5 | \$5.2 | |

Categorically Aided Programs Fund

The Categorically Aided Programs Fund is used to account for proceeds from federal, state, and private grants that fund social and curriculum needs of special populations within the district. MPS uses the term “categorical” funding to refer to all grant resources, and these terms are used interchangeably. Most grants awarded to the district are for specific purposes within a specific time frame. The 2023–24 Preliminary Budget for the Categorical Fund assumes total revenue and expenditures of \$352.6 million, which is a decrease of \$375.2 million compared to 2022–23. This decrease is due to MPS expending ESSER-received funding in FY23.

The district’s allocations for the Every Student Succeeds Act depends on the relative economic status of all other districts in the state. The district will also be required to distribute more of its allocation to non-public schools.

Between March 2020 and March 2021, Congress passed three stimulus bills under ESSER with allocations of funding for school districts. The Coronavirus Aid, Relief, and Economic Security (CARES) Act funding provides emergency funds to address the impact of COVID-19 in communities. This includes relief funds for school districts. The Education Stabilization Fund appropriates funds through the Governor’s Emergency Education Relief (GEER) Program and the Elementary and Secondary School Emergency Relief (ESSER) program. Milwaukee Public Schools is the fiscal agent for these two funding sources; therefore, aid will flow through MPS-to-MPS public schools, including non-instrumentality charter schools and to private schools located in Milwaukee.

In FY21 Milwaukee Public Schools received \$55.0 million in ESSER funding; of that amount, \$41.0 million was allocated to MPS schools, and just under \$15.0 million was allocated to private schools. ESSER II provided \$224.0 million to Milwaukee Public Schools and ESSER III will provide \$504.0 million to Milwaukee Public Schools. The district expects to have some funds remaining from the FY21 and FY22 allocations into future years, due to the extended grant period that the federal government has provided.

Revenues by Source – Categorical Fund

Chart 3.45 shows the revenue received, or estimated to be received, from categorical resources. Information includes (a) the actual expenditures for 2019–20, (b) the actual expenditures for 2020–21, (c) the actual expenditures for 2021–22, (d) the Final Adopted Budget for 2022–23, (e) the Preliminary Budget for 2023–24, and (f) the change from 2022–23 to 2023–24.

Chart 3.45 Categorical Fund – Revenues by Source

| Categorical Fund – Revenues by Source (\$M) | | | | | | |
|---|-------------------|-------------------|-------------------|-----------------|-----------------|------------------|
| Description | 2019-20 Actual | 2020-21 Actual | 2021-22 Actual | 2022-23 F.A. | 2023-24 P.B. | Inc/(Dec) |
| Federal | | | | | | |
| ESEA, Title I-A | \$61.7 | \$83.1 | \$77.8 | \$89.0 | \$78.7 | (\$10.2) |
| ESEA, Title II | 6.6 | 11.0 | 7.8 | 7.9 | 6.5 | (1.4) |
| ESEA, Title III | 1.2 | 2.1 | 1.1 | 2.2 | 0.5 | (1.7) |
| ESEA, Title IV | 3.7 | 8.2 | 4.8 | 6.3 | 5.9 | (0.4) |
| SIG ¹ | 2.2 | 5.9 | 2.8 | 3.3 | 0.0 | (3.3) |
| IDEA ² | 25.5 | 28.3 | 24.2 | 35.1 | 25.3 | (9.8) |
| Head Start | 4.7 | 10.2 | 11.0 | 10.6 | 11.6 | 1.0 |
| Cares Act | 0.3 | 44.8 | 10.9 | 0.0 | 0.0 | 0.0 |
| GEER | 0.0 | 0.0 | 4.9 | 0.0 | 0.0 | 0.0 |
| ESSER II | 0.0 | 0.0 | 124.5 | 99.0 | 11.0 | (88.0) |
| ESSER III | 0.0 | 0.0 | 87.1 | 418.4 | 196.7 | (221.7) |
| Other | 11.0 | 13.7 | 4.9 | 9.6 | 10.6 | 1.0 |
| Subtotal Federal | \$116.9 | \$214.7 | \$362.0 | \$681.5 | \$347.0 | (\$334.5) |
| State | | | | | | |
| AGR ³ | \$24.7 | \$24.2 | \$23.8 | \$23.8 | \$24.2 | \$0.4 |
| Other | 15.8 | 18.3 | 16.5 | 32.7 | 5.3 | (27.4) |
| Subtotal State | \$40.5 | \$42.5 | \$40.3 | \$56.5 | \$29.5 | (\$27.0) |
| Private | | | | | | |
| GE Foundation | \$1.7 | \$0.4 | \$0.2 | \$0.0 | \$0.0 | \$0.0 |
| Other | 1.4 | 3.7 | 2.4 | 4.7 | 4.4 | (0.4) |
| Subtotal Private | \$3.1 | \$4.1 | \$2.5 | \$4.7 | \$4.4 | (\$0.4) |
| Subtotal Categorical Fund | \$160.6 | \$261.3 | \$404.9 | \$742.7 | \$380.8 | (\$361.8) |
| Less: Indirect | (6.6) | (12.8) | (18.1) | (14.9) | (28.2) | (13.3) |
| Total Categorical Fund | \$154.0 | \$248.5 | \$386.8 | \$727.8 | \$352.6 | (\$375.2) |
| ¹ School Improvement Grant; ² Individuals with Disabilities Education Act; ³ Achievement Gap Reduction Grant | | | | | | |

Chart 3.46 shows an estimate of revenues and expenditures in the Categorical Fund for each year through 2026–27. Information includes (a) three years of actuals, 2019–20, 2020–21, 2021–22 (b) the final Adopted Budget for 2022–23, (c) the Preliminary Budget for 2023–24, and an early estimate of revenues and expenditures for each year, 2024–25, 2025–26, 2026–27, 2027–28 and (d) the change from the Preliminary Budget 2023–24 budget to the estimated 2027–28 budget.

Chart 3.46 Categorical Fund – Five-Year Projection

| Categorical Fund – Five-Year Projection (\$M) - Without Transfers to Other Funds | | | | | | | | | | |
|---|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|
| | 2019-20 | 2020-21 | 2021-22 | 2022-23 | 2023-24 | 2024-25 | 2025-26 | 2026-27 | 2027-28 | FY27 vs. FY23 |
| | Actual | Actual | Actual | F.A. Estimated | Estimated | Estimated | Estimated | Estimated | Estimated | Inc / (Dec) |
| Federal Revenues | \$116.9 | \$214.7 | \$362.0 | \$681.5 | \$347.0 | \$344.8 | \$342.6 | \$340.5 | \$342.6 | (\$338.9) |
| State Revenues | 40.5 | 42.5 | 40.3 | 56.5 | 29.5 | 29.4 | 29.2 | 29.1 | 29.2 | (27.2) |
| Local Revenues | 3.1 | 4.1 | 2.5 | 4.7 | 4.4 | 4.3 | 4.3 | 4.3 | 4.3 | -0.4 |
| Revenues (with indirect) | \$160.6 | \$261.3 | \$404.9 | \$742.7 | \$380.8 | \$378.5 | \$376.2 | \$373.9 | \$376.2 | (\$366.5) |
| Expenditures | | | | | | | | | | |
| Salaries/Wages | \$70.8 | \$81.5 | \$86.7 | \$157.3 | \$115.4 | \$89.3 | \$88.8 | \$88.2 | \$88.8 | (\$68.5) |
| Benefits | 38.2 | 43.2 | 45.9 | 81.8 | 58.3 | 47.2 | 46.9 | 46.6 | 46.9 | (34.9) |
| Purchased Services | 36.1 | 44.2 | 90.0 | 374.1 | 40.9 | 165.2 | 164.2 | 163.2 | 164.2 | (209.9) |
| Supplies/Materials | 6.5 | 43.6 | 99.2 | 108.5 | 5.5 | 53.3 | 53.0 | 52.7 | 53.0 | (55.5) |
| Capital Expenses | 2.5 | 2.8 | 0.8 | 12.0 | 0.0 | 4.2 | 4.1 | 4.1 | 4.1 | (7.8) |
| Other Objects | 6.6 | 33.9 | 18.6 | 9.0 | 160.7 | 19.2 | 19.1 | 19.0 | 19.1 | 10.1 |
| Total Expenditures | \$160.7 | \$249.2 | \$341.0 | \$742.7 | \$380.8 | \$378.5 | \$376.2 | \$373.9 | \$376.2 | (\$366.5) |
| Balance (before use of prior-year funds) | (0.1) | 12.1 | 63.9 | - | - | - | - | - | - | |
| Final Surplus/(Deficit) | (\$0.1) | \$12.1 | \$63.9 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | |
| Cumulative Surplus/(Deficit) | \$1.3 | \$13.4 | \$77.3 | \$77.3 | \$77.3 | \$77.3 | \$77.3 | \$77.3 | \$77.3 | |

Keys to Understanding the Financial Environment and Plan of MPS

These keys are written to explain and summarize the financial environment of MPS without technical detail. The concepts and terms are presented in more detail in the previous pages and/or in other sections of the budget document.

Key 1: Major Revenue Sources

MPS receives its revenue from four major sources

While the fund overview on the previous pages demonstrates the many categories of funds (\$1.8 billion) under the stewardship of the district, annual budgetary decisions are focused on general operating funds received from a limited number of sources. The four major sources are as follows.

1. **State Aid**—State aid is funding that MPS receives from the state and is paid directly to the district. The amount of state aid is estimated by the Department of Public Instruction (DPI) in July, and the amount is certified in October.
2. **Property Taxes**—The portion of total revenue that comes from local property taxes varies widely across Wisconsin’s school districts, due largely to the way that the equalization aid is distributed. MPS does not estimate the local property taxes until DPI provides an estimate of the equalization/integration aids in July of each year. In October, DPI certifies equalization and integration aids for school districts. Like all Wisconsin school boards, the MBSD adopted the local district tax levy for 2022–23 in late October.
3. **Federal Aid**—Most federal aid to schools comes through four channels: Individuals with Disabilities Education Act (IDEA), Every Student Succeeds Act (ESSA), Coronavirus Aid, Relief & Economic Security Act (CARES), Elementary and Secondary School Emergency Relief (ESSER) or through distribution formulas and competitive grants.
4. **Local Sources**—Another source of school funding comes from grants, local fees, interest earnings, and gifts. Additional sources of local non-property tax revenue include tuition from student learning options such as open enrollment tuition, intergovernmental agreements, and rental revenues for the use of school facilities.

Why this is important

A diversity of revenue sources is beneficial to any organization. To a limited extent, MPS leverages the flexibility it has in having multiple revenue sources. However, most general operations funding (state aid and local property tax levy) is capped by the state’s revenue limit, as explained in the next key.

While there are a variety of benefits from local partnerships, one of them is financial support. The district is continuing its recently increased allocation of resources for the purpose of cultivating partnerships. This includes participation in a funder’s collaborative to identify ways to match interested community investors with MPS student needs.

Key 2: MPS Enrollment Continues Downward Trend

District enrollment drives revenue

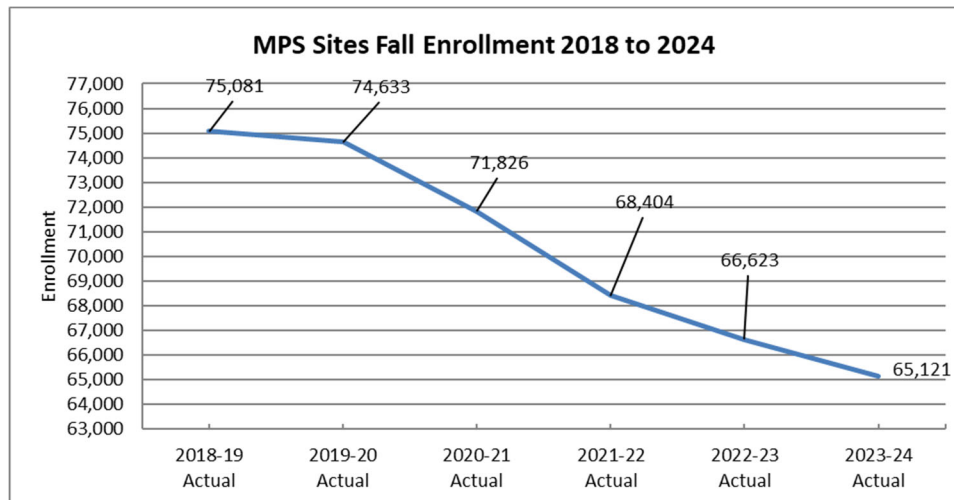
Student enrollment has a strong impact on school district finances, as many programs have allocation formulas predicated on the number of students served. MPS enrollment has decreased in 2022-23, and enrollment drives revenue over time.

From fall 2022 to fall 2023, Milwaukee Public Schools' enrollment will decrease primarily due to a decrease in MPS traditional and instrumentality charter school enrollment. The number of students attending MPS schools will decrease by 2.3% to 65,121.

Milwaukee Parental Choice Program (MPCP) enrollment increased to 28,958 in the 2022-23 school year (FY23) from 28,185 in FY22. This is a 2.7% increase. In FY23, 129 private schools indicated their intent to participate in MPCP, according to the Wisconsin Department of Public Instruction.

Chart 3.47 below shows that MPS enrollment has declined in the past six years.

Chart 3.47 MPS Sites – Fall Enrollment 2018–24



Source: MPS student count data for September enrollment each year

Why this is important

Frequent school moves can have a negative impact on a student's academic routine and potential success. Mobility and absenteeism are often associated with poor school performance. Improving enrollment stability supports the consistency of school services and student success.

Larger student enrollment counts generally lead to economies of scale. The district's fixed costs can be efficiently funded when there are more students to serve. As the number of students has declined, a greater percentage of revenues was needed for fixed costs. By attracting and retaining a stable number of students from year to year, the district stops the growth in fixed costs per pupil. Nonetheless, the district faces specific challenges in "right-sizing" operations. When schools are operating with large unused capacity or a larger percentage of administrative costs relative to instruction, the district is challenged to identify more efficient ways to meet its mission.

Key 3: Revenue Limit

The state's per-student revenue limit remains flat

In fall 1993, the Wisconsin legislature (§ 120.90) instituted a limit or control on the revenue that a school district is entitled to receive each year. The control applies to revenue received from two sources:

- General state aid (equalization, special adjustment, and integration aids)
- Select local levies (general operations, capital projects, and non-referendum debt)

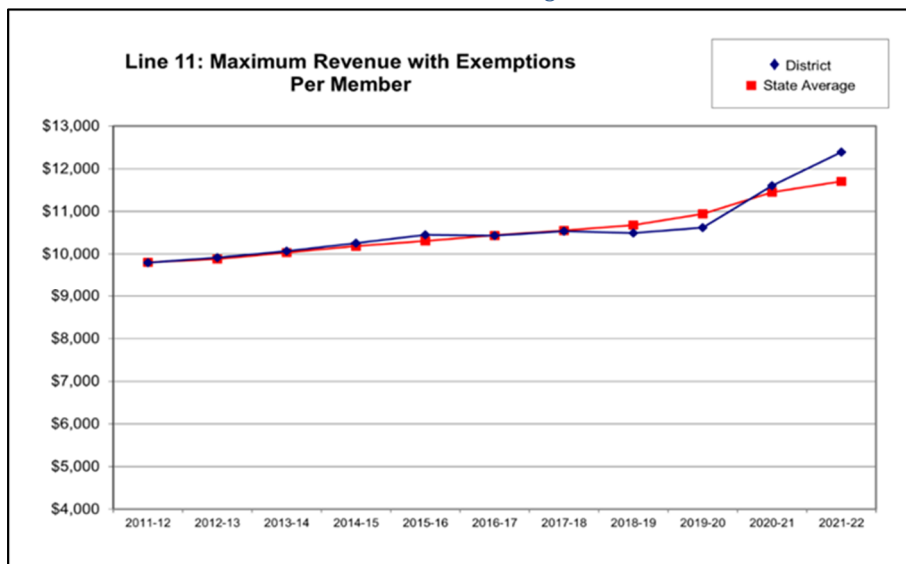
With each biennial budget, the Wisconsin legislature/governor sets an amount by which the revenue limit will change for school districts. MPS's per-student revenue limit in 2023-24 is \$12,391, or 9.0 percent more than it was in 2022-23.

In fiscal year 2016–17, the MBSD approved a resolution to exceed the revenue limit by the amount needed to finance energy efficiency projects. The resolution noted that this action is under authority granted in Wisconsin Statute § 121.91(4)(o).

As part of the spring election on April 7, 2020, the community overwhelmingly voted in support of the referendum. This monumental victory will meaningfully impact the quality of the educational experience that MPS is able provide for Milwaukee children. The referendum authorizes the district to exceed the revenue limit by \$57.0 million in 2020–21, an additional \$20.0 million (\$77.0 million total) in 2021–22, an additional \$7.0 million (\$84 million total) in 2022–23, and an additional \$3.0 million (\$87.0 million total) in 2023–24, and each year thereafter. This additional funding will allow the district to attract and retain high-quality certified teachers, offer more career and technical education programs, and expand art, music, physical education, and language programs.

Chart 3.48 demonstrates that MPS's revenue limit per pupil has followed the statewide average closely and that recent growth returns the amount only to a level similar to 2012. Note that this chart is "with exemptions." The figures include non-recurring exemptions such as adjustments for declining enrollment or local property tax changes. MPS has a base per-pupil amount of \$12,391 as compared to the state average of \$11,703.

Chart 3.48 Revenue Limit – MPS and State Average



Source: Wisconsin DPI

Why this is important

A district's main source of general-purpose funding can exceed the revenue limit only when approved by public referendum or for other technical reasons. Consequently, the revenue limit is the key factor governing increases in a school district's combined amount of state equalization *and* local property tax levy.

It is important to note that even when the state allocates additional money for equalization aid or the school tax credit, the new funds will not be used for K–12 education but instead will go for property tax relief unless the revenue limit is changed.

Key 4: Federal Aids Face an Uncertain Future

Federal budget deliberations are under way

Federal-aid changes are driven by an increase in Title I funds awarded to the State of Wisconsin, thus impacting the amount of Title I funds received by the district. The higher allocation to the district will allow the district to maintain the per-pupil amount of \$385 as part of the Final Adopted Budget process for the 2022–23 fiscal year. Title I school spending power was impacted by the slight decrease in the fringe benefit rate (see Key 5), allowing more spending power to the Title I schools.

Between March of 2020 and 2021, Congress passed three stimulus bills under ESSER with allocations of funding for school districts. These funds provide emergency financial assistance to address the impact that COVID–19 has had, and continues to have, on elementary and secondary schools.

Why this is important

The administration in Washington can have a significant impact on MPS finances because federal funds provide the means to deliver various supplemental services that are critical to the low-income families that MPS serves. Even though federal resources have slightly increased, more pressures are placed on state and local sources if services are to be continued. Also, the use of carryover funds shapes the options available for making progress on student achievement. Knowing that a portion of the funds will not be available the following year, administrators cannot build plans to show promise for lasting, sustainable student progress.

Understanding cost factors of the district is also important for the budgeting process; the following keys elaborate on major issues driving expenditure projections.

Key 5: Rising Medical Costs

Medical costs for employees are on the rise

Projections for 2023–24 call for a higher level of medical claim costs with significant inflation on the horizon. MPS actuarial consultants are projecting 5.0 percent inflation for medical costs and 10.0 percent for prescription drug expenses.

Why this is important

Starting in 2010, MPS began to bring its healthcare costs under control by instituting actions such as redesigning its medical, dental, and pharmaceutical plans; hiring a new third-party administrator; and differentiating premium costs by creating low- and high-cost plans. Subsequent changes followed, such as the district's decisions to raise the employee threshold to receive fringe benefits from 20 to 30 hours a week and close the district's supplemental teacher retirement plan to new employees.

The district's overall fringe benefit rate has decreased from 52.0 percent in 2022-2023 to 51.0 percent in 2023-24. This will provide some spending relief to the district.

Key 6: Salaries Are Critical to the District's Operations

Like any school district, the heart of the organization is people

Personnel costs represent 61.7 percent of the district's budget. Salaries alone are \$601.1 million of the \$1.5 billion budget. Even a small increase in salaries—for example, 1.0 percent—represents an annual cost of over \$9.0 million when salary-driven benefits are included.

With revenues not significantly rising, the district cannot afford to add positions that show promise for more effective services to children. In addition, the current staff cannot be provided with raises without reducing the number of personnel or canceling other critical activities.

Why this is important

MPS must remain competitive in its compensation package to attract and retain well-qualified staff to serve the children of Milwaukee. The district implemented salary steps and lanes as part of the 2019-20 budget process.

Key 7: Strategic Initiatives

Finding solutions to entrenched problems

The budget continues to reflect the Five Priorities for Success as described in the preceding sections of this document. Several initiatives have been continuing as planned since 2016, and a few new ones are funded in the 2023-24 budget. Extensive school budget planning and review was done to ensure that class size would not increase significantly, if at all. The several-year effort to fund art, music, and physical education for every school is continuing.

Why this is important

As in 2023, the 2024 budget allows MPS to move forward with implementing its Five Priorities for Success, and it integrates that plan into the budget process. The plan is organized around "five priorities" for improving student outcomes that also includes a school portfolio plan for increasing the number of high-performing schools. In essence, MPS is attempting to raise the level of student achievement in schools that have high student poverty while at the same time seeking to make MPS the #1 choice for families.

Key 8: Fund Balance and Debt-to-Revenues Ratio

Fiscal integrity leads to strong bond rating

MPS has maintained a stable fund balance and received favorable bond ratings when debt is incurred; the district's debt-to-revenues ratio is well below that of peer districts. Just as a personal credit rating is used for a variety of purposes, a school district's strong bond rating is advantageous. The most obvious reason is to lower the costs of borrowing.

The operations fund balance has been increasing in previous years. Due to the time that it will take to fill all the additional positions in the second year of the referendum and a number of vacant hard-to-fill positions, the fund balance should see some relief. Increases in salaries and benefit costs will still increase the pressure on the fund balance; however, the district has implemented strategies to reverse the trend.

Why this is important

The district's history shows that MPS is capable of managing complex, unpredictable, and adverse financial conditions. Fiscal and societal realities point to a future where there will be a continued need for difficult decisions and prudent management of resources. With rigorous planning and collaborative efforts focused on student needs, the district will be able to pursue its vision while maintaining fiscal integrity.

The district defines a balanced budget as one in which authorized expenditures in all funds do not exceed the level of projected revenues for the funds. The 2023–24 budget is balanced in this regard.

Key 9: Capital Asset Planning

Capital asset planning is being taken to a new level

In addition to the long-range facilities master plan that was adopted by the board in the spring of 2018 (described in the capital expenditures section above), the board authorized borrowing in November 2017 to fund major maintenance projects that have been deferred from their planned schedule.

Why this is important

With respect to teachers, school facilities affect teacher recruitment, retention, commitment, and effort. With respect to students, school facilities affect health, behavior, engagement, learning, and growth in achievement. Thus, researchers generally conclude that without adequate facilities and resources, it is extremely difficult to serve large numbers of children with complex needs.

Long-range capital planning will ensure that adequate resources are available when needed for renovations; repairs for failing systems, including HVAC, electrical systems, and networking; replacement of equipment and school furniture; and other major maintenance projects. The process will also embark upon facility planning, design, and new construction should district needs warrant it.

Key 10: MPS's Additional Fiscal Responsibilities

The district's annual budget includes \$167.2 million of funds for open enrollment, non-public schools, citywide recreation programs, and school nutrition.

Why this is important

The district takes responsibility, as a fiscal agent, for costs that include students who do not attend MPS and for meeting non-academic needs (such as school nutrition). Failure to acknowledge this fact leads some critics to believe that the district has no need for additional funds. It is incumbent on all MPS supporters to use and share accurate information in advocating for the priority of K–12 education in the state's largest city.

Key 11: MPS's Response to COVID-19

The district has been impacted by the global pandemic in numerous operational ways throughout FY20, FY21, FY22 and FY23. MPS shifted teaching and learning to a virtual platform, allocated federal relief funds to reduce the digital divide, and implemented thorough sanitizing and personal protective equipment (PPE) distribution practices. MPS created and followed a Roadmap to Readiness plan that helped the district to transition from a virtual platform to a five-day-a-week, face-to-face learning model. The district has also maintained a virtual option for those families that choose to continue virtual learning, with 800+ kids being enrolled in that program.

Why this is important

The district has created the Roadmap to Readiness plan and is implementing the steps of the plan. Congress passed the CARES Act in March 2020 to provide emergency funds to address the impact of COVID-19 on communities, including relief funds for school districts. MPS is the fiscal agent over Education Stabilization funds that were appropriated through the Elementary and Secondary School Emergency Relief (ESSER) program. The ESSER aid will flow through MPS to public schools, including non-instrumentality charter schools, and to private schools located in Milwaukee. Funding will be used for technology, staff development, sanitation supplies, and PPE.

ESSER, I funding was focused on purchasing technology for virtual learning and to purchase PPE materials and cleaning supplies to safely reopen schools. However, for ESSER II and III, teams were created to develop proposed plans to implement major funding areas identified as high need. Teams created proposals based on the following identified priority areas:

- Accelerated Learning
- Health & Wellness
- Facilities
- Technology
- Extracurricular Engagement

The budgets were determined by evaluating the following:

- Need
- Goals, objectives, performance metrics
- Work plan
- Project implementation leads
- Plan to evaluate success
- Projected budget

To receive input from students, families, and the community, MPS held student listening sessions during summer school, stakeholder meetings, and five community listening sessions; provided a survey; created an ESSER MPS email for feedback; and participated in district town hall meetings facilitated by members of the Milwaukee Board of School Directors.

All feedback that was received was sent to the ESSER work groups and was incorporated, as appropriate, into each respective plan. The ESSER II and ESSER III budget detail serves as a summary of the proposed plans and is balanced to the Wisconsin Department of Public Instruction allocations for MPS. Visit the MPS ESSER website to view the ESSER II and ESSER II budget detail. For more information visit: <http://mpsmke.com/esser3>.