

(ATTACHMENT 1) 2017-18 (FY18) Fall Budget and Staffing Changes Summary

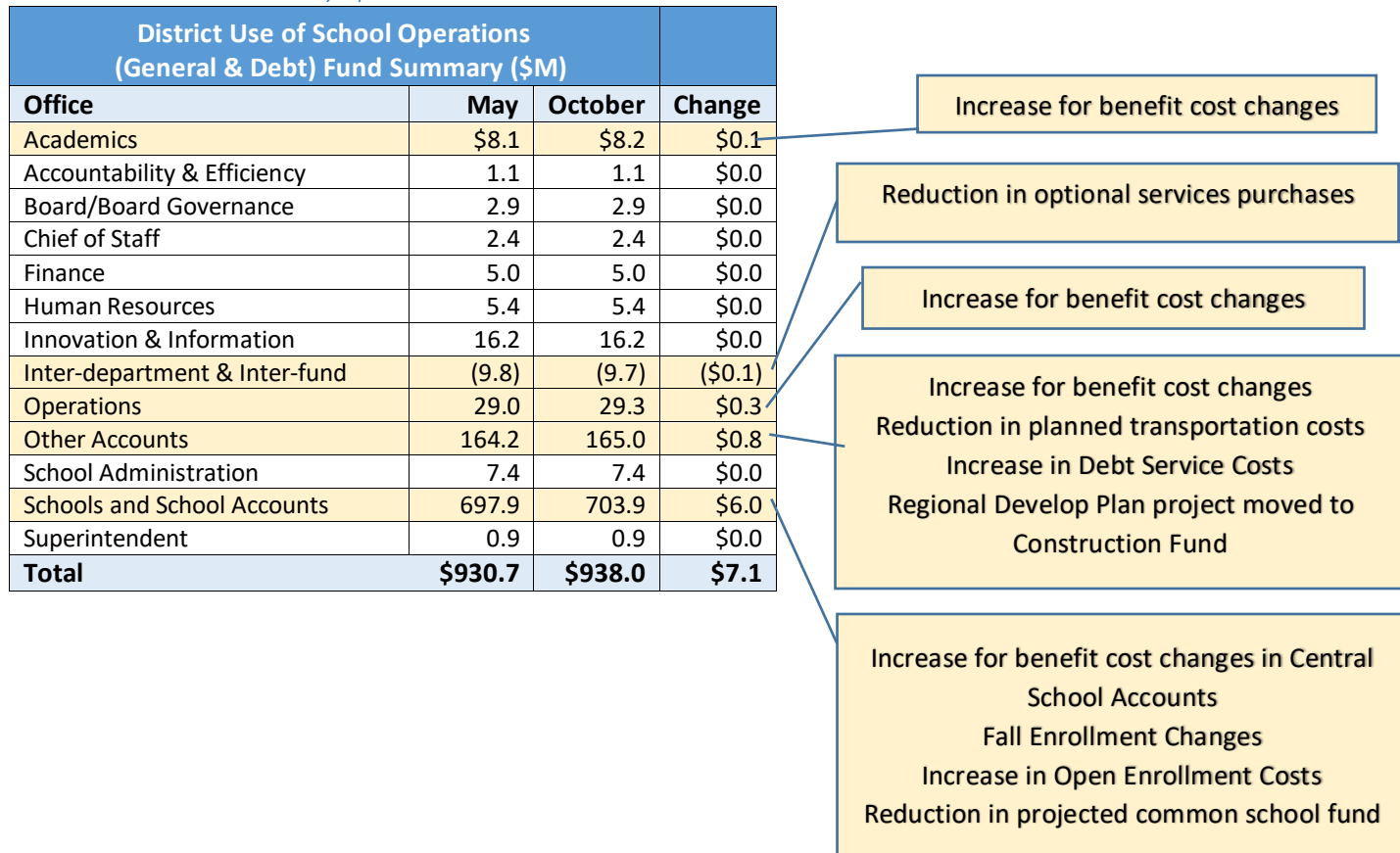
The following summary is presented to assist the board during its consideration and final approval of the 2017-18 (FY18) School Operations, Construction and Extension Fund budgets. The changes listed below are adjustments to the budget adopted in May based on current data and the priorities established in the district’s strategic plan.

Overall funding by Office or School

Chart 1 shows that schools and school accounts are proposed to be budgeted at \$703.9 million of the School Operations Fund budget. Other funds, such as School Nutrition, which provides free meals to students, also provide direct support to schools.

Ensuring that dollars reach the classroom is not met without challenges. While great strides have been made in directing resources to classrooms, the district’s best efforts to create a standard of care for all students are greatly influenced by funding decisions at the state and federal levels.

Chart 1: Where Is the Money Spent?



For every dollar budgeted in the MPS School Operations Fund, ninety cents is used to educate and support children in Milwaukee. This is up from eighty nine cents from the adopted budget in May 2017.

Enrollment

From fall 2016 to fall 2017, MPS enrollment declined primarily due to a decrease in non-instrumentality charter schools. The number of students attending MPS schools decreased by 1.68% to 75,566. Outgoing open enrollment numbers decreased by 2.85% and outgoing Chapter 220 numbers dropped by 18.85%.

Milwaukee Parental Choice Program (MPCP) enrollment is expected to increase from 27,597 in the 2016-17 (FY17) school year to approximately 28,702 in FY18. In FY18, 126 private schools indicated their intent to participate in MPCP according to the Wisconsin Department of Public Instruction (DPI). According to U.S. Census Bureau data, the number of children ages 5 to 19 in the City of Milwaukee has decreased by more than 5,000 from 2010 to 2014.

Chart 2 shows a summary of the Third Friday enrollment changes by category from FY17 to FY18 Third Friday Enrollment. Enrollment is listed as a headcount and not as full-time equivalent (FTE) which is used for calculating enrollment revenue.

Chart 2: Student Enrollment by Category

Enrollment Summary				
Enrollment Category	FY17 Third Friday Enrollment	FY18 Third Friday Enrollment	FY17 to FY18 Difference	FY17 to FY18 % Difference
MPS Traditional & Instrumentality Charter Schools	66,352	66,646	294	0.44%
Alternative/Partnerships/ Other Sites	1,521	1,269	(252)	-16.57%
Non-instrumentality Charter Schools	8,983	7,651	(1,332)	-14.83%
Subtotal	76,856	75,566	(1,290)	-1.68%
Chapter 220 in Suburbs	1,040	844	(196)	-18.85%
Open Enrollment in Suburbs	5,758	5,594	(164)	-2.85%
Total	83,654	82,004	(1,650)	-1.97%

Revenue Changes

Chart 3 shows a summary of the School Operations Fund changes by source and type from the budget adopted in May by the Milwaukee Board of School Directors. The Property Tax Levy and the Equalization & Integration Aids are not individually listed in the 2017-18 Proposed Budget (P.B.) as the district estimates the total amount in the spring and in fall has actual numbers from DPI.

Chart 3: School Operations Fund – Revenues by Source Changes

School Operations Fund - Revenues by Source			
Description	2017-18 P.B. (Spring)	2017-18 F.A. (Fall)	Inc / (Dec)
Property Tax Levy, Equalization and Integration Aids			
Property Tax Levy		247,584,825	
General Equalization Aid		576,443,105	
Integration Aid	809,515,237	34,339,955	5,824,114
Poverty Aid		6,301,586	
Computer Aid		7,229,726	
Deduction for Choice/Charter		(56,559,846)	
Subtotal	\$ 809,515,237	\$ 815,339,351	\$ 5,824,114
State Handicapped Aids			
Handicapped Aids	49,240,500	49,240,500	-
Subtotal	\$ 49,240,500	\$ 49,240,500	-
Other State Aids			
Summer School	1,400,000	-	(1,400,000)
Transportation Aid	2,464,700	2,664,700	200,000
Library Aid	5,000,000	4,100,000	(900,000)
Bilingual Aid	1,937,800	1,700,000	(237,800)
Tuition from State	675,000	500,000	(175,000)
General State Aid	35,236,800	35,021,700	(215,100)
Other State Per-Pupil	50,000	50,000	-
Subtotal	\$ 46,764,300	\$ 44,036,400	\$ (2,727,900)
Federal Aids			
Federal Reimbursement - QSCB	3,547,018	3,823,248	276,230
Indirect Cost Aids	5,431,000	6,031,000	600,000
Medicaid Reimbursements	5,000,000	5,000,000	-
Subtotal	\$ 13,978,018	\$ 14,854,248	\$ 876,230
Local Revenues			
TIF and other City related	764,000	531,000	(233,000)
Student Programs Reimbursement	-	260,000	260,000
Tuition	8,385,000	11,703,231	3,318,231
Interest Earned	200,000	200,000	-
Rental	1,319,737	1,344,737	25,000
Refunds/Ins. proceeds	265,000	265,000	-
Miscellaneous	237,549	287,549	50,000
Subtotal	\$ 11,171,286	\$ 14,591,517	\$ 3,420,231
Carryover	-	-	-
Total	\$ 930,669,341	\$ 938,062,016	\$ 7,392,675

Revenue Limit

The FY18 revenue limit is based on prior year revenues, expenditures and three-year enrollment trends including the current September 2017 third Friday enrollment. The revised revenue limit governing the School Operations and Construction funds is \$819.8 million, a decrease of \$3.7 million from the FY17 October revenue limit.

The State budget for the 2017 to 2019 biennium has, as in the prior two-year budget, not included an increase in the base per-pupil amount of the revenue limit. For MPS, the base amount remains at \$10,122. Since MPS enrollment has declined over recent years, we continue to experience a declining revenue limit. This is partially offset by new revenue limit authority for special education vouchers and debt related to energy efficiency projects. These increases are designated for specific new costs which the district is obligated to pay.

The School Operations portion of the revised revenue limit is \$5.8 million more than the amount adopted in May. The district’s unanticipated current year decline in enrollment has the one-year impact of increasing the revenue limit due to an exemption built into the revenue limit formula to mitigate the short-term impact of the enrollment decline.

The projected revenue for the School Operations fund has also been adjusted to reflect a move of the regional development plan (RDP) and related tax levy of \$3.4 million to the construction fund. The RDP is an allocation of funds for building improvements and related costs that expand high-demand educational options. Chart 4 shows a summary of the revised revenue limit.

Chart 4: School Operations Revised Revenue Limit

Revenue Limit		
FY18 Adopted Budget	May 2017	\$809,515,237
FY18 Fall Adjustment	October 2017	\$5,824,114
FY18 Amended Adopted Budget	October 2017	\$815,339,351

State Aids

State equalization and integration aids of \$554.2 million for FY18, net of non-MPS charter and Milwaukee Parental Choice Program (MPCP) deductions, were certified in October 2017. This is an increase of \$4.3 million, or 0.8%, from the \$549.9 million certified for FY17. Chart 5 shows a summary of the state equalization and integration aid changes from the FY17 October certified amount.

Chart 5: Equalization and Integration Aids

Equalization and Integration Aids			
FY17 October Certified	Final FY18 Certified	FY17 to FY18 Difference	FY17 to FY18 % Difference
\$549,888,607	\$554,223,214	\$4,334,607	0.8%

Property Tax Levy

Based on the budget adopted by the Milwaukee Board of School Directors in May 2017 and the changes listed in this board item, the MPS all-fund tax levy for FY18 decreases \$9.1 million, or 3.2%, from the amount levied for FY17.

The \$41.5 million of MPCP costs represents about 15% of the revised all-fund tax levy for FY18. The board is compelled to levy 22.4 % of MPCP costs, down from 25.6% in FY17. Per legislative action, the portion

of MPCP costs borne by the district is scheduled to decline for seven more years until the Choice program is fully funded by the State in FY25. The net cost for FY18 of \$41.5 million includes offsets of \$14.1 million paid to the City of Milwaukee by the State and \$6.3 million in high-poverty aid the district is required to use to offset the MPCP levy.

The Extension Fund levy will continue to provide funds for MPS C.A.R.E.S. and establish a sustainable revenue source for future recreation programming. Chart 6 shows a summary of the tax levy changes by fund when comparing 2016-17 to 2017-18.

Chart 6: All-Fund Tax Levy

All-Fund Tax Levy				
Fund Category	FY17 October	FY18 October	FY17 to FY18 Difference	FY17 to FY18 % Difference
Operations	\$260,069,165	\$247,584,825	(\$12,484,340)	-4.8%
Construction	\$1,100,000	\$4,504,580	\$3,404,580	309.5%
Extension	\$20,000,000	\$20,000,000	\$0	0%
Total Statutory Funds	\$281,169,165	\$272,089,405	(\$9,079,760)	-3.2%

Revenue and Expenditure Changes

Charts below show all changes to revenue and expenditure budgets by project. The district maintains a balanced budget as required by state law.

The Administration is confident that the proposed amended FY18 budget is responsible and responsive to the district’s strategic plan, supporting the board’s three goals of academic achievement; student, family and community engagement; and effective and efficient operations.

In addition to revenue changes, a review of FY17 medical and prescription drug costs indicates the need to increase the budget for the cost of employee benefits for FY18. The city pension contribution rate is anticipated to increase January 1, 2018. Chart 7 shows a summary of factors leading to the increased benefit rate.

Chart 7: Benefit Rate Factors

Factors Increasing Benefit Rate	
Factors	Amount
City Pension	\$2,500,000
Required OPEB contribution increase	\$3,000,000
Increased medical costs	\$7,429,220
Other benefit cost adjustments	-\$842,772
TOTAL	\$12,086,448

In light of actual costs at the end of 2016-17 and updated estimates from the district’s actuarial consultants, MPS’s required Other Post Employee Benefits (OPEB) retiree contribution must increase to cover 2017-18 costs and meet the criteria for state aid (which is awarded in the following year).

Likewise, medical costs experienced in the final quarter of 2016-17 and projections going forward necessitate an increase in the budget for the district’s share of these expenses. Inflationary pressure continues in this area with general medical costs projected to increase by 5.0% and prescription costs expected to increase by 12.0%.

Other adjustments include the net effect of changes in vacation payout, teacher performance pay, group life and long-term disability insurance, supplemental retirement contribution, state pension contribution and social security. These changes increase the district fringe benefit rate. The rate charged to schools and central services is increasing from 50.2% to 53.3%. This change spreads the loss of buying power among the schools, departments and other accounts where personnel are budgeted.

School Operations Fund

The statutory or “taxing” portion of the School Operations Fund provides resources for the majority of district operations including debt. Chart 8 shows a summary of the expenditure changes to the School Operations Fund by project.

Chart 8: School Operations Fund Expenditure Changes

Expenditure Changes		Amount
Schools and School Accounts		
S1	MPS Traditional and Instrumentality Charter Schools <i>Enrollment adjustments.</i>	(\$3,228,896)
S2	MPS Non-Instrumentality Charter Schools <i>Enrollment adjustments.</i>	(\$1,200,858)
S3	Central School Office <i>Increase for benefit cost changes and reduction to allocations based on enrollment changes.</i>	\$553,450
S4	World Languages <i>Increase for benefit cost changes.</i>	\$151,152
S5	Summer School – Regular <i>Increase for benefit cost changes.</i>	\$60,935
S6	Summer School – Special Education <i>Reduction to absorb benefit changes across various academic projects.</i>	(\$13,431)
S7	College Access Centers <i>Reduction of vacant positions.</i>	(\$112,372)
S8	School Leaves – Substitute Costs <i>Increase for benefit cost changes.</i>	\$126,631
S9	Supplemental School Support <i>Increase for benefit cost changes and anticipated school needs due to enrollment changes after September.</i>	\$1,786,321
S10	Grant Transitional <i>Increase for benefit cost changes.</i>	\$6,087
S11	Guidance <i>Increase for benefit cost changes.</i>	\$176,269
S12	Common School Fund <i>Decrease in state revenue, reduction being reflected in the central library account.</i>	(\$900,000)
S13	Advanced Studies <i>Increase for benefit cost changes.</i>	\$6,346
S14	Advanced Academic Studies (AP/IB) <i>Increase for benefit cost changes.</i>	\$11,239
S15	Central Art/Music/Physical Education/Library Media <i>Increase for benefit cost changes.</i>	\$289,330

Schools and School Accounts		Amount
S16	Instrumental Music <i>Increase for benefit cost changes.</i>	\$11,949
S17	Newcomer Center <i>Reduction of vacant positions.</i>	(\$185,708)
S18	School Safety Operations <i>Increase to better reflect planned spending.</i>	\$284,512
S19	School Special Funds <i>Open enrollment costs are increased based on enrollment adjustments.</i>	\$4,014,245
S20	School Specialized Services <i>Enrollment adjustments and increase for benefit cost changes.</i>	\$2,884,521
S21	School Nurses <i>Increase for benefit cost adjustments and moving 14 positions from Title I grant account to school operations fund.</i>	\$1,259,820
S22	Non-MPS Special Education Costs <i>Increase for benefit cost changes.</i>	\$12,813
S23	Special Education Optional Services <i>Increase for benefit cost changes.</i>	\$563
School Accounts Subtotal		\$5,994,918

Office Accounts		Amount
S24	Office of the Superintendent <i>Increase for benefit cost changes.</i>	\$17,975
S25	Office of the Chief of Staff <i>Increase for benefit cost changes.</i>	\$9,615
S26	Office of Academics <i>Increase for benefit cost changes and to better reflect planned spending.</i>	\$130,347
S27	Office of Operations <i>Increase for benefit cost changes.</i>	\$345,859
Office Accounts Subtotal		\$503,796

Other Accounts		Amount
S28	Management Intern Program <i>Decrease to better reflect planned spending.</i>	(\$362)
S29	Benefits Clearing Account <i>Increase for benefit costs for both active and retired employees, and an anticipated increase in pension costs, were largely offset by increasing the benefit rate which distributes these costs to schools, offices, and accounts where personnel are budgeted.</i>	\$2,132,620
S30	Building Operations - Sites <i>Increase in benefit costs and reduction in staff at under capacity buildings.</i>	\$133,704
S31	Debt Service <i>Increase due to June 2017 borrowing for energy efficiency projects.</i>	\$2,141,057
S32	Optional Services <i>Decrease due to changes in optional service choices of schools.</i>	\$85,461
S33	Regional Development Plan <i>Reallocation of planned construction expenses to Construction Fund.</i>	(\$3,057,580)
S34	Special and Contingent Funds <i>Reduced contract costs.</i>	(\$34,000)
S35	Tenant Costs <i>Increase cost of services at MPS leases sites. Lease revenue offsets these costs.</i>	\$25,393

Other Accounts		Amount
S36	Facilities & Maintenance Internal Revenue <i>Reduction of rental revenue and school optional service purchases.</i>	(\$32,332)
S37	Transportation Operations <i>Reduction of transportation costs based on prior year results and costs-to-date.</i>	(\$500,000)
Other Accounts Subtotal		\$893,961
School Operations Fund Expenditure Changes Total		\$7,392,675

Construction Fund

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.

Chart 9 shows a summary of the revenue changes to the Construction Fund and Chart 10 shows a summary of the expenditure changes.

Chart 9: Construction Fund Revenue Changes

Revenue Changes		
Construction Fund Account		Amount
C1	Tax Levy Shift from Operations Fund <i>The regional development plan is moving from the Operations Fund. It includes work which the district has undertaken that is designed to expand strong academic programming and increase the number of high-performing seats available within Milwaukee Public Schools.</i>	\$3,404,580
Construction Fund Revenue Changes Total		\$3,404,580

Chart 10: Construction Fund Expenditure Changes

Expenditure Changes		
Construction Fund Account		Amount
C2	Regional Development Plan <i>In addition to moving funds from Operations there has been an increase in the Dover project by \$500,000; decrease the Morse relocation project by \$253,000 and increase moving costs by \$100,000.</i>	\$3,404,580
Construction Fund Expenditure Changes Total		\$3,404,580

Extension Fund

The Extension Fund is used to record financial transactions related to recreational activities and is jointly managed by the Office of Operations, Office of Finance and Office of Academics.

Chart 11 shows a summary of the revenue changes to the Extension Fund and Chart 12 shows a summary of the expenditure changes.

Chart 11: Extension Fund Revenue Changes

Revenue Changes		
Extension Fund Account		Amount
E1	Applied surplus	(\$4,690)
Extension Fund Revenue Changes Total		(\$4,690)

Chart 12: Extension Fund Expenditure Changes

Expenditure Changes		
Extension Fund Account		Amount
E2	Recreation Facility Improvements <i>Increase due to benefit costs.</i>	\$1,460
E3	MPS C.A.R.E.S. <i>Increase due to benefit costs.</i>	\$121,158
E4	Drivers Education <i>Increase due to benefit costs.</i>	\$4,964
E5	Recreational Facilities <i>Increase due to benefit costs.</i>	\$79,041
E6	Reading Enrichment <i>Increase due to benefit costs.</i>	\$2,372
E7	Earn to Learn <i>Increase due to benefit costs.</i>	\$205
E8	Playgrounds & Rec Centers <i>Increase due to increase in staff, reduction of supplies and minor building modifications, and increased benefit costs.</i>	\$483,747
E9	Wraparound Program <i>Increase due to benefit costs.</i>	\$10,603
E10	Partnership for Arts/Humanities <i>Increase due to benefit costs.</i>	\$4,216
E11	Recreation Adult Education <i>Increase due to benefit costs.</i>	\$130,000
E12	Extension-Employee Benefits <i>Decrease to better reflect planned spending.</i>	(\$842,456)
Extension Fund Expenditure Changes Total		(\$4,690)

Position Authority

Office and department changes in the budget require board approval for position authority. The following charts identify those position changes by fund.

Chart 13 shows the position changes in the School Operations and Categorical Funds and Chart 14 shows the position changes in the Extension Fund.

Chart 13: Position Changes

Office	FTE Positions	School Operations	Categorical Funds
(Includes Salary & Benefits)			
Office of Academics			
ESL Teacher- Newcomer Center	(2.00)	(\$185,708)	
Planning Assistant- College & Career Readiness	(2.00)	(\$137,630)	
Psychologist- Specialized Services	(5.00)	(\$357,966)	
School Secretary- Specialized Services	(1.00)	(\$32,487)	
Office of Innovation & Information			
Planning Assistant III	(1.00)	(\$59,315)	
Senior Project Analyst III	(1.00)	(\$122,520)	
Data Base Specialist I	1.00	\$135,583	

Office	FTE Positions	School Operations	Categorical Funds
(Includes Salary & Benefits)			
Digital Electric Technician	1.00	\$59,787	
Coordinator II School Improvement 10 Month	(2.00)		(\$229,950)
Coordinator II School Improvement 12 Months	2.00		\$229,950
Math Teaching Specialist	(1.00)		(\$114,975)
Performance Analyst III	(1.00)		(\$95,918)
Instructional Leadership Director	0.30		\$37,973
Instructional Leadership Director	(0.30)	(\$37,973)	
Manager II Turnaround Arts Program	(1.00)	(\$121,262)	
Manager II Turnaround Arts Program	1.00		\$121,262
Office of Operations			
Administrative Support Specialist	(1.00)	(\$80,164)	
Administrative Assistant	1.00	\$68,985	
Building Service Helper II	(1.00)	(\$54,391)	
Building Service Helper I	(2.00)	(\$73,185)	
Boiler Attendant (Other Accounts)	(1.00)	(\$63,190)	
Boiler Attendant Trainee (Other Accounts)	(1.00)	(\$52,643)	
Building Service Helper II (Other Accounts)	(2.00)	(\$108,782)	
Building Service Helper I (Other Accounts)	(6.00)	(\$219,556)	
Office of School Administration			
School Safety Assistant	(10.00)	(\$392,908)	
School Operations and Categorical Fund Totals	(35.00)	(\$1,835,325)	(\$51,658)

Chart 14: Extension Fund Position Changes

Office	FTE Positions	Amount
(Includes Salary & Benefits)		
Office of Operations		
Accounting Assistant II	1.00	\$56,251
Recreation Planning Assistant	1.00	\$68,239
Extension Fund Total	2.00	\$124,490

Recapitulation of Net Expenditure Change Amounts

Chart 15 shows the Statutory and Categorical Funds summary of the changes by fund category from the FY18 Adopted Budget in May to the FY18 Amended Adopted Budget in October.

Chart 15: Net Expenditure Changes

Net Expenditure Amendments			
Fund Category	FY18 (May)	Change FY18 (October)	FY18 Amended Adopted Budget Totals
Operations	\$982,169,341	\$7,392,675	\$989,562,016
Construction	\$2,687,203	\$3,404,580	\$6,091,783
Extension	\$24,814,845	(\$4,690)	\$24,810,155
Total Statutory Funds	\$1,009,671,389	\$10,792,565	\$1,020,463,954
Catagorical	\$166,458,254	(\$4,819,160)	\$161,639,094
Total All Funds	\$1,176,129,643	\$5,973,405	\$1,182,103,048

Excluding categorical grants, the three statutory funds will total \$1,020,463,954. This compares to the FY17 total of \$1,009,671,389, an increase of \$10,792,565 for the three statutory funds; the \$10.8 million represents a 1.1 % increase over the budgeted total as adopted in May.

Categorical changes are driven by a reduction in Title I funds awarded to the State of Wisconsin thus impacting the amount of Title I funds received by MPS. The lower allocation to the district along with a decrease in carryover funding has resulted in the need to reduce categorical budgets. The school per pupil allocation has been reduced. In the spring a school with 100% poverty received \$400 per pupil and this has been reduced to \$385 per pupil for the fall adjustment. Title I school spending power was further impacted by the increase in the fringe benefit rate.

Summary

The district's current projections for categorical aid (less indirect costs) are \$161.6 million, an increase of \$1.2 million over the FY17 budget of \$160.4 million. Chart 16 shows the Statutory Funds and Categorical Fund summary of the changes from the FY17 Amended Adopted Budget.

Chart 16: All-Fund Totals Summary

All-Fund Totals Summary				
Fund Category	FY17 (October)	FY18 (October)	FY18 to FY17 Difference	FY18 to FY17 % Difference
Operations	\$978,838,932	\$989,562,016	\$10,723,084	1.1%
Construction	\$34,141,551	\$6,091,783	(\$28,049,768)	-82.2%
Extension	\$22,975,383	\$24,810,155	\$1,834,772	8.0%
Total Statutory Funds	\$1,035,955,866	\$1,020,463,954	(\$15,491,912)	-1.5%
Categorical	\$160,398,580	\$161,639,094	\$1,240,514	0.77%
Total All Funds	\$1,196,354,446	\$1,182,103,048	(\$14,251,398)	-1.2%

A loss in federal Title I funding was offset by increases in other grant awards to the district. As grants are awarded for specific purposes the changes do not offset each other at the school and/or district level.

Approval of these proposed changes will result in a total budget, including estimated categorical grants of \$1,182,103,048 based upon current law and revenue limit calculations.