



**MILWAUKEE
PUBLIC SCHOOLS**

Office of the Superintendent
5225 W. Vliet Street, P.O. Box 2181
Milwaukee, WI 53201-2181
(414) 475-8001 • mps.milwaukee.k12.wi.us

April 24, 2018

Dear Members of the Milwaukee Board of School Directors,

Presented for deliberation and action is the Proposed Budget for the Fiscal Year: July 1, 2018–June 30, 2019, along with related supporting documents. The proposed budget is premised on achieving three primary goals: academic achievement; student, family and community engagement; and effective and efficient operations. The annual budget represents the collective effort of district staff to deliver a responsible financial and operating plan on behalf of Milwaukee Public Schools (MPS). We acknowledge and thank all district staff and stakeholders for their contributions.

The annual budget serves not only as a financial and operations plan for the immediate ensuing fiscal period, but also serves broader management and information purposes. The budget is meant to serve the following four major purposes:

1. To present the district's financial plan for the fiscal year, illustrating appropriations and projected revenues by which the appropriations are funded.
2. To serve as a communication document for the citizens of Milwaukee who wish to understand how the school district operates and the methods used to finance those operations.
3. To serve as a guide for management staff to aid the control of financial resources, while complying with state and federal requirements and generally accepted accounting principles for government.
4. To provide highlights of financial policies.

The proposed 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.

Year in Review

There is much to celebrate as the 2017-18 school year comes to a close and we make preparations for the 2018-19 school year. MPS is committed to accelerating student achievement, building positive relationships between youth and adults and cultivating leadership at all levels.

- More MPS students are taking college-level Advanced Placement and International Baccalaureate courses.
- Seven MPS high schools were rated among the best in the state and nation by *U.S. News and World Report* and *The Washington Post* in spring 2017.
- The Class of 2017 earned a record of over \$62 million in scholarships.
- Nine MPS schools are honored as Wisconsin Schools of Recognition in 2018 for success in educating students.
- United Nations Schools of International Learning (UNSIL) Implementation expanded to 13 MPS

Start. Stay. Succeed.
Comienza. Quédate. Triunfa.

schools, with 60 new teachers trained to deliver the curriculum to students in grades 4 through 7, impacting approximately 2,500 students.

- In addition to adding additional robust arts opportunities and experiences throughout the “Year of the Arts,” more than 7,000 students will participate in 166 performances at the All-City Music Festival at the Summerfest grounds May 9-11, 2018.
- Launched mindfulness programming throughout the district, with 299 school mindfulness team training sessions; 144 school-based staff professional development sessions; and 1,408 in-classroom, parent and student mentoring sessions conducted.
- Followed an early start calendar for its high schools, middle schools, and some elementary schools. The early start calendar has a number of advantages that promote student success.
- Students will have the opportunity to participate in the June Term (J-term) to catch up or get ahead. J-term is a four-week noncompulsory educational experiential program for MPS students on the early start calendar.
- Successfully rolled out three-choice enrollment and kindergarten enrollment exceeding 2016-17 enrollment fair numbers; expanded parent portal from 286 accounts to 40,000+ accounts.
- MPS University expanded offerings with ESL and Bilingual licensure as well as project management certification pathways.

Financial Outlook

The district’s total 2018–19 proposed budget of \$1.2 billion is down by 0.9% over the prior year. The state’s revenue limit formula does not provide for any increases in the school operations or construction funds. A projected decline in categorical aid is due to variability of the federal awards and a likely decline in carryover funds for 2018–19. Fortunately, the School Nutrition and Extension funds both have revenue sources and sufficient fund balances to plan for increased costs.

Chart i.1 below shows a revenue comparison between the 2017–18 amended adopted budget and the 2018–19 proposed budget for the district’s five funds.

Chart i.1 District Revenue Overview

District Revenue Overview: 2018-19 Proposed Budget Compared to 2017-18 Amended Adopted Budget (\$M)						
	Operations	Nutrition	Extension	Construction	Categorical	Total
2017-18 Amended Adopted Budget	\$938.7	\$51.5	\$24.8	\$5.5	\$163.8	\$1,184.2
2018-19 Proposed Budget	936.6	54.8	27.5	2.4	152.0	1,173.3
Year-to-Year Increase/(Decrease)	(\$2.1)	\$3.3	\$2.7	(\$3.1)	(\$11.7)	(\$10.9)
	-0.2%	6.4%	10.9%	-56.5%	-7.2%	-0.9%

Consistent with parameters proposed by the administration and adopted by the board, a reserve for salary increases has been included in the accompanying budget materials. Having provided minimal raises in the current year, we are taking this step to ensure that we are providing appropriate compensation for employees in 2017–18. As reasonable as this is, it requires us to reduce spending in other areas.

We are prepared to meet the challenges, even as we continue to advocate for fairer funding of MPS, the board has already worked with the administration to identify key areas for effective management of the resources we expect to have. The recently presented Long-Range Facilities Master Plan and ongoing review of compensation options are identifying paths to follow that will help to provide resources for effective classroom instruction and support in the future.

Start. Stay. Succeed.
Comienza. Quédate. Triunfa.

Chart i.2 summarizes the 2018-19 proposed budgets by fund and illustrates that the district's primary costs are in compensation for employees. As will be clear in the schools section of the budget, the majority of contracts are with non-instrumentality charter schools and other educational partners.

Chart i.2 Proforma Summary

2018-19 Pro Forma Budgeted Revenues and Expenditures (\$M)						
	School Operations	School Nutrition	Categorical	Extension	Construction	Total
Revenues	\$936.6	\$54.8	\$152.0	\$27.5	\$2.4	\$1,173.3
Expenditures						
Salaries and Wages	\$409.0	\$13.3	\$74.3	\$11.7	\$0.0	\$508.3
Employee Benefits	214.4	9.3	39.2	3.9	-	266.8
Total Salary and Benefits	\$623.5	\$22.7	\$113.5	\$15.6	\$0.0	\$775.2
Student Transportation	\$63.8	\$0.0	\$0.2	\$0.1	\$0.0	\$64.1
Contracted Services	103.7	1.9	31.1	6.0	-	142.6
Construction Contracts	-	-	-	2.9	2.2	5.1
Interdistrict Student Tuition	42.2	-	-	-	-	42.2
Utilities	19.4	-	-	0.3	-	19.7
Maintenance Contracts	8.2	-	-	0.0	-	8.3
Telephone	2.3	0.0	-	0.0	-	2.4
Postage	1.1	-	0.0	0.1	-	1.2
Other Purchased Services	1.5	0.3	1.3	1.3	-	4.4
Total Purchased Services	\$242.3	\$2.1	\$32.6	\$10.7	\$2.2	\$289.9
Debt Service	\$36.3	\$0.0	\$0.0	\$0.0	\$0.0	\$36.3
Textbooks	\$1.2	\$0.0	\$0.0	\$0.0	\$0.0	\$1.2
Non-Text Books	4.1	-	-	-	-	4.1
Consumable Supplies	11.6	2.4	3.8	0.4	-	18.2
Other Supplies	4.8	25.4	2.2	0.3	-	32.7
Total Supplies	\$21.7	\$27.8	\$6.0	\$0.7	\$0.0	\$56.2
Insurance	\$9.5	\$0.1	\$0.0	\$0.3	\$0.0	\$9.9
Capital Expenses	\$1.6	\$1.8	\$0.0	\$0.1	\$0.2	\$3.7
Building Modifications	0.1	0.3	-	0.1	-	0.5
Total Capital Expenses	\$1.7	\$2.1	\$0.0	\$0.2	\$0.2	\$4.1
Other Accounts	\$1.7	\$0.0	\$5.2	\$0.1	\$0.0	\$7.0
Less Indirect Costs	\$0.0	\$0.0	(\$5.2)	\$0.0	\$0.0	(\$5.2)
Total	\$936.6	\$54.8	\$152.0	\$27.5	\$2.4	\$1,173.3

Strategic Planning and Community Engagement

The 2018–19 budget preparation process began in August 2017, even as we struggled with adjusting the current year budget. As staff updated financial projections for 2017–18, evaluation of ongoing activities was underway to inform future plans and priorities.

Further budget deliberations and actions included the following: In November 2017, the Committee on Strategic Planning and Budget (SPB) met to consider potential parameters and strategies for planning the 2018–19 budget. SPB, and in turn the board, met in January 2018 to review the district's five-year forecast and formally adopt parameters and a timetable for budget preparation. In April 2018, SPB also considered proposals that may help the district operate more efficiently in the future.

The community involvement process for the 2018–19 budget process has included a number of approaches including a community feedback survey that was launched in December 2017. This was a successful endeavor, with over 7,000 responses recorded. The utilization of canvassers and emphasis on

Start. Stay. Succeed.
Comienza. Quédate. Triunfa.

surveying people at locations where many individuals were gathered resulted in gathering feedback from stakeholders throughout the city. Thus, areas to be included in budget discussions were clearly identified, such as programmatic and transportation priorities.

Community input and feedback was an integral part of the development of the district's Long-Range Facilities Master Plan. Eight large scale meetings, an online survey, and surveying at district events such as Midnight Basketball and various sports competitions took place as part of this process. Overall these community input mechanisms associated with the plan were successful, with more than 8,000 online survey participants. Of those participants, nearly half were students.

A Community Conversations series, hosted by the superintendent began in 2018. These events take place in smaller settings, such as coffee shops and neighborhood association meetings, allowing for meaningful conversations on a wide variety of topics including resource utilization.

Budget carousel meetings with representatives of each school were hosted by the superintendent, Office of Finance and Office of School Administration. The carousels identified progress, challenges, and school resource needs. All traditional, alternative and instrumentality charter schools participated in the budget carousels. From these discussions, along with feedback and community surveys, recommendations for infrastructure changes and the need to repurpose existing resources, roles and activities emerged to improve technical assistance and centralized support to schools.

When school allocations and related information were released, school leaders, school engagement councils, and the regional school support teams spent numerous hours balancing school improvement plans to the resources available for next year.

The administration and individual offices have adjusted central service and centrally managed budgets downward in a manner that would preserve essential services to schools, regulatory compliance, appropriate management of human and financial resources and effective stewardship of the facilities we operate.

Budget Highlights

In contrast to the five-year forecast, which informed of a potential shortfall over \$38 million, we are presenting a balanced budget (i.e. the school operations fund planned expenditures are in line with projected revenues). As described in the budget documents, many stakeholders were involved in very careful reductions of spending plans to maintain those areas where there is most direct connection to students and their families. The gap between projected revenues and inflationary cost was closed through the process of adjusting numerous accounts. Highlights are as follows:

- A favorable update on benefits costs from the district's actuarial firm allowed for lowering the estimated spike in that cost area to a modest increase over 2017-18. On the basis of current medical claims, number of enrollees, anticipated retirements, etc., the short-term estimate of costs came down.
- As approved by the Board, a discontinuation of the long-term disability benefit which was recently implemented.
- School communities reduced budgets for positions, other wages, and supplies to absorb a 5% decline in the school per-pupil allocation.
- Office chiefs reduced central service and central account budgets similarly, based on a 15% cut to the 2017-18 office allocations.

Start. Stay. Succeed.
Comienza. Quédate. Triunfa.

- A modest increase to the projected revenue since the original forecast was developed. This was an adjustment to the revenue limit projection and retaining more tax levy for the school operations fund.

For every dollar budgeted in the MPS School Operations Fund, eighty-eight cents is used to educate and support children in Milwaukee. This includes both supplies and personnel but especially the district's largest group of employees—teachers. Seven cents of every dollar in the fund is used to support non-school-based staff and services, while the remaining five cents supports necessary operations expenses such as utilities, insurance, technology licenses and debt repayment.

Looking Ahead

MPS's accelerated efforts to improve achievement for all students are already yielding positive results. MPS increased the number of advanced classes and are working with community leaders, students and educators to make all of our high schools top-rated in the state. More varsity sports, music and other extracurricular programs in the schools will enrich the experience outside the classrooms and encourage students to do better in the classroom. *Learning Journeys* expand the classroom and provide unique experiences at some of the region's most popular attractions including the Milwaukee Public Museum, Discovery World and MPS's own working farm.

In 2017–18, community partnerships flourished, and MPS will continue to advance efforts next year. Multiple partnerships prove vital in rounding out students' MPS experience and setting a community-wide example of an investment in students and schools. MPS partners are essential and send a clear message that our community cares about Milwaukee's children.

As we plan for fiscal year 2018–19 and beyond, state funding increases are not expected to keep up with the rate of inflation. The state has failed to adjust the revenue limit law to recognize the needs of K-12 education generally or address the particular challenges of a district facing high rates of poverty and special needs.

Despite a positive development for 2018–19, the state budget's increase in categorical per-pupil aid, MPS's gain from that aid is offset by a declining revenue limit. The state budget includes no increase in the per-pupil amount of the revenue limit. It was also frozen for 2015–16 and 2016–17. With no increase in the per pupil amount, technical provisions in the revenue limit formula will result in MPS losing \$2.1 million of general operating revenue.

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. The district is currently working on efforts to stabilize enrollment; however, the budget situation remains challenging.

Student enrollment has a strong impact on district finances. It is predicted in 2018–19 that enrollment will increase by 0.7 percent due to expansion in charter schools. Increases realized in underutilized school sites will increase the efficiency of the district's use of staff and facilities.

Personnel costs represent over 65 percent of the district's budget. Salaries alone are \$484.2 million of the \$1.17 billion budget. Even a one percent increase in salaries represents an annual cost of over \$5 million when salary driven benefits are included. With revenues not rising, the district cannot afford to add positions which show promise for more effective services to children. In addition, staff cannot be provided raises without reducing the number of personnel or canceling other critical activities. Further stressing the district's ability to offer a competitive compensation package are actuarial estimates projecting five percent inflation for medical costs and 12 percent for prescription drug expenses.

The Long-Range Facilities Master Plan has identified ways to address the fact that MPS has over 11,000 empty seats in its facility portfolio. An ongoing review of compensation options is identifying paths to follow that can keep employee compensation competitive while slowing the rate of cost increases. These kinds of efforts will help to provide resources for effective classroom instruction and support in the future.

Summary

The proposed budget has been guided by MPS's strategic plan. The strategic plan is a dynamic, active document that guides decision-making at the school and district levels. Annually the strategic plan is reviewed and updated in conjunction with the district's budget. The goals and objectives in the strategic plan are the focus and driving force of the district with all other plans, resources, programs and initiatives affecting the plan year supporting these goals.

The development of the spending plan has been grounded in realistic estimates of costs and revenues, using tools and benchmarks available from organizations such as the Wisconsin Department of Public Instruction, Wisconsin Association of School Board Officers, and Association of School Board Officers.

A variety of stakeholders have had input into the strategic plan and budget development process and we look forward to that continuing throughout May as the board hosts hearings and takes action to adopt the budget.

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.

Respectfully submitted,



Darienne B. Driver, Ed.D.
Superintendent of Schools



Thomas P. Conjurski
Chief Financial Officer