



Superintendent's Proposed Budget

Submitted to the Milwaukee Board of School Directors on April 26, 2017

Fiscal Year: July 1, 2017 – June 30, 2018

Budget in Brief



Milwaukee Board of School Directors

Board members may be contacted at the MPS Office of Board Governance, (414) 475-8284.
Jacqueline M. Mann, Ph.D., Board Clerk/Chief



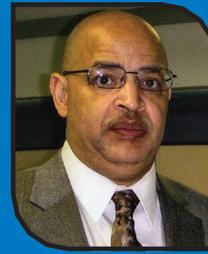
Mark Sain
District 1, President



Larry Miller
District 5, Vice-President



Wendell Harris, Sr.
District 2



Michael Bonds, Ph.D.
District 3



Annie Woodward
District 4



Luis A. Báez (Tony), Ph.D.
District 6



Paula Phillips
District 7



Carol Voss
District 8



Terrence Falk
At-Large



MILWAUKEE PUBLIC SCHOOLS

5225 W. Vliet St.
Milwaukee, WI 53208
(414) 475-8002
www.milwaukee.k12.wi.us

Darrienne B. Driver, Ed.D., *Superintendent*

Senior Team

Gina Spang, P.E., *Chief of Staff*
Tonya Adair, *Chief Innovation and Information Officer*
Himanshu Parikh, *Acting Chief Human Resources Officer*
Ruth Maegli, *Chief Academic Officer*
Gerald Pace, J.D., *Chief Financial Officer*
Keith Posley, Ed.D., *Chief School Administration Officer*
Wendell Willis, *Chief Operating Officer*
Sue Saller, *Manager, Superintendent's Initiatives*
Ashley Lee, *Special Assistant to the Superintendent*

NONDISCRIMINATION NOTICE

It is the policy of the Milwaukee Public Schools, as required by section 118.13, Wisconsin Statutes, that no person will be denied admission to any public school or be denied the benefits of, or be discriminated against in any curricular, extracurricular, pupil services, recreational or other program or activity because of the person's sex, race, color, religion, national origin, ancestry, creed, pregnancy, marital or parental status, sexual orientation or physical, mental, emotional or learning disability.

This policy also prohibits discrimination under related federal statutes, including Title VI of the Civil Rights Act of 1964 (race, color, and national origin), Title IX of the Education Amendments of 1972 (sex), and Section 504 of the Rehabilitation Act of 1973 (disability), and the Americans with Disabilities Act of 1990 (disability).

The following individuals have been designated to handle inquiries regarding the nondiscrimination policies:

For section 118.13, Wisconsin Statutes, federal Title IX:

Matthew Boswell, Senior Director, Department of Student Services, Room 133, Milwaukee Public Schools, 5225 W. Vliet St., P.O. Box 2181, Milwaukee, WI, 53201-2181

For section 504 of the Rehabilitation Act of 1973 (Section 504), federal Title II:

Jeff Molter, 504/ADA Coordinator for Students, Department of Specialized Services, 6620 W. Capitol Dr., Milwaukee, WI, 53216. (414) 438-3677
TTD: (414) 475-8139

Table of Contents – Budget-in-Brief

| | |
|---|------|
| Organizational Component | 1-3 |
| About MPS..... | 1-3 |
| Mission Statement..... | 1-4 |
| Vision Statement | 1-4 |
| Goals and Strategic Objectives | 1-4 |
| Goal 1: Academic Achievement..... | 1-5 |
| Goal 2: Student, Family and Community Engagement..... | 1-5 |
| Goal 3: Effective and Efficient Operations | 1-5 |
| Gaining Commitment to Pay for MPS Budget Priorities..... | 1-6 |
| Budget Process and Timetable | 1-7 |
| Chart 1.1 Budget Development Timetable..... | 1-8 |
| Significant Changes in the Budget | 1-9 |
| Allocation of Human and Financial Resources to Achieve Goals and Objectives | 1-9 |
| Financial Component..... | 1-10 |
| Revenues and Expenditures for All Funds | 1-10 |
| Chart 1.2 2017–18 Pro Forma Summary | 1-11 |
| Chart 1.3 2017–18 District-wide Expenses..... | 1-11 |
| Chart 1.4 Use of School Operations Fund Summary | 1-12 |
| Chart 1.5 Where Is the Money Spent? | 1-12 |
| Budget Comparisons for All Funds | 1-13 |
| Chart 1.6 Where Does the Money Come From? | 1-13 |
| Chart 1.7 District Revenue Overview | 1-13 |
| Trends, Events and Initiatives..... | 1-14 |
| Achievements | 1-14 |
| Chart 1.8 The Eight Big Ideas | 1-15 |
| Chart 1.9 Significant Trends, Events and Initiatives | 1-16 |
| 2016–17 Growth..... | 1-18 |
| Chart 1.10 MPS at a Glance | 1-18 |
| 2017–18 Initiatives | 1-19 |
| Chart 1.11 Strategic Plan Implementation | 1-19 |

Financial and Demographic Changes..... 1-21

Informational Component..... 1-22

 Budget Forecast..... 1-22

 Chart 1.12 School Operations Fund—Five-Year Projection 1-22

 Student Enrollment Trends and Forecast..... 1-22

 Chart 1.13 Student Enrollment History and Projection..... 1-23

 Chart 1.14 Student Demographics 1-24

 Tax Base and Rate Trends..... 1-24

 Chart 1.15 Assessed and Equalized Valuation – City of Milwaukee..... 1-24

 Chart 1.16 Tax Levies and Rates for School Purposes 1-25

 Personnel Resources Changes..... 1-25

 Chart 1.17 MPS Staff Distribution Comparison to Previous Year 1-26

 Changes in Debt..... 1-26

 Chart 1.18 Outstanding Debt—10 years 1-27

 Chart 1.19 Milwaukee Public Schools Debt Service 1-27

Financial Management..... 1-28

Accessing the Budget..... 1-28

Summary..... 1-28

Budget-in-Brief

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

The Budget-in-Brief provides summary information on the district's overall budget. The topics are covered in more detail in the subsequent sections. The budget is posted on the district's website with linked tables of contents that allow readers to locate descriptions by topic.

Organizational Component

About MPS



Milwaukee Public Schools (MPS) is the largest school district in the state of Wisconsin with the widest and richest variety of educational programs and extracurricular activities for children from kindergarten through high school. A publicly elected school board, the Milwaukee Board of School Directors (MBSD), provides direction and oversight, with a superintendent heading the organization's administration.

Working together with students, staff, parents and the community, MPS is dedicated to improving outcomes for our students and making sure every student is college and career

ready. Eight 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 2016. More MPS students are taking college-level Advanced Placement and International Baccalaureate courses. The class of 2016 earned a record of more than \$51 million in scholarships.

MPS offers an extensive variety of educational programs and activities for children from preschool through high school. Offerings include neighborhood schools, specialty schools, comprehensive middle schools and high schools, charter schools, alternative schools, and partnership and contracted agency schools. MPS provides a large variety of high-performing education programs from strong traditional neighborhood schools, fine arts, bilingual education, career and technical education, gifted and talented, International Baccalaureate, language immersion, Montessori. College and career preparatory programs are also offered including Advanced Placement. In addition, MPS is adding a two-year world languages graduation requirement.

MPS is proud of accomplishments and progress but still faces challenges on many fronts. To tackle the challenges head-on and change the operating dynamics of Wisconsin's largest school district, the MBSD has established three system-wide goals to guide all district initiatives and to serve as the foundation for our district-wide strategy, ensuring that we prioritize our resources and funding to improve student outcomes.



It will not be easy to achieve these goals. With a projected enrollment of 76,534 students as young as age three through grade 12 and 9,718 full-time equivalent (FTE) staff positions, MPS is a sprawling and diverse community spread across 159 schools.

When measured by population, the district is effectively a large city in Wisconsin and is the 42nd-largest school district in the United States. Finding solutions to entrenched problems will require honest internal scrutiny, assessment and reflection. The strategic plan implementation process provides a platform for this reflection. The mission, vision, core beliefs and goals, developed through input from MPS staff, students, parents and members of our community, guide the district's strategy development and implementation.

Mission Statement

Milwaukee Public Schools is a diverse district that welcomes all students, preparing them for success in higher education, post-educational opportunities, work and citizenship.

Vision Statement

Milwaukee Public Schools will be among the highest student growth school systems in the country. All district staff will be committed to providing an educational environment that is child-centered, supports achievement and respects diversity. Schools will be safe, welcoming, well-maintained and accessible community centers meeting the needs of all. Relevant, rigorous and successful instructional programs will be recognized and replicated. The district and its schools will collaborate with students, families and community for the benefit of all.

Goals and Strategic Objectives

MPS's comprehensive plan to improve student outcomes has two main elements: Eight Big Ideas, a series of organization-wide strategic objectives to reinforce key efforts; and a school portfolio plan to expand successful programs and increase the number of seats in high-performing comprehensive schools throughout the district while creating learning pathways for students and families and also improving the capacity of quality community support activities.

Core Beliefs

- 1 Students come first.
- 2 Wherever students are learning is the most important place in the district.
- 3 Educators and school staff have high expectations for all students and provide the foundation for their academic success.
- 4 Leadership, educator development and child-driven, data-informed decision making are keys to student achievement.
- 5 Involved families are integral to increasing student achievement.
- 6 Student voice is encouraged and respected.
- 7 Quality community partnerships add value.
- 8 Increased operational and financial efficiencies are consistently pursued to support learning opportunities for our students.
- 9 Central Services supports student achievement, efficient and effective operations, and student, family and community engagement.

The Milwaukee Board of School Directors goals—academic achievement; student, family and community engagement; and effective and efficient operations—guide all district efforts. Built on the three goals, the eight strategic objectives all link together to create a cohesive and interdependent plan. These Eight Big Ideas are reinforced by the district’s budget process and together ensure that key programs and projects are aligned, prioritized and funded in service of students.

Goal 1: Academic Achievement

The first goal, academic achievement, includes these strategic objectives:



Close the Gap: Milwaukee Public Schools is a national symbol of excellence for educating all students, providing a rigorous academic program that ensures equitable opportunities for all children to reach their full potential.



Educate the Whole Child: Milwaukee Public Schools provides a nurturing, consistent and validating experience for every child so that both educational and social-emotional needs are met.



Redefine the MPS Experience: Every Milwaukee Public School provides robust co/extracurricular experiences that engage and inspire every child.



Rethink High Schools: Every Milwaukee Public Schools student graduates on time with a personalized pathway to success in college, career and life.

Goal 2: Student, Family and Community Engagement

The second goal, student, family and community engagement, includes these strategic objectives:



Re-envision Partnerships: Milwaukee Public Schools cultivates and maintains mutually beneficial partnerships and collective impact efforts to maximize resources that promote greater student outcomes.



Strengthen Communication Systems and Outreach Strategies: The community is engaged in, understands and supports the work of Milwaukee Public Schools, and families choose our district as a trusted and valued education partner.

Goal 3: Effective and Efficient Operations

The third of these goals, effective and efficient operations, includes the following strategic objectives:



Develop Our Workforce: As an organization respected for supporting diverse, healthy, highly skilled and engaged employees, Milwaukee Public Schools is an employer of choice.



Improve Organizational Processes: Milwaukee Public Schools is a leader in using best practices, systems and processes equitably and efficiently to align and maximize resources in support of our strategic objectives.

Gaining Commitment to Pay for MPS Budget Priorities

The district's budget process adhered to several critical budgeting principles aligned to the district's vision, mission and core beliefs. These included the following:

Education priorities should drive the budget.

The budget intentionally reflects the most current strategies for providing a world-class education to its learners.

We must get high academic return on investment (A-ROI).

We all must aspire to make a practical connection between academic and financial decision making and to get the most impact for our limited resources.

There is no substitute for long-term stability, predictability and continuity.

Student progress cannot be made when there are constant disruption and when teachers and school communities do not know what resources to expect from one year to the next. Strategic financial planning is absolutely critical to achieving this stability. Budget and budget priorities are linked to the district's new strategic plan, which serves as a long-term financial and educational blueprint. As a district we do not want to make decisions that appear to be capricious or always reactive to what is happening around us; we intend to follow our plan.

School budget decisions should be based on what is best for students.

Kids should be first, but adults still matter. We must be mindful of how decisions impact adult stakeholders, recognize the consequences, and seek to remediate ill-effects and preserve or restore a sense of safety and pride among adults.

Budget a better way for using effective tactics to defuse stress associated with cost-saving strategies.

We must use data to understand our trends, make contingent decisions, increase certainty around the district and individual school priorities vs. supplemental activities, and plan for the long-term.

Build school allocations with a lens to procedural justice.

Decisions are based on accurate information. Transparent and consistent decision-making criteria are applied to everyone equally. All stakeholders are given the opportunity for input. Differences between school size, program and student needs are evaluated and supported with available resources. Mistakes are recognized and corrected.

Create an inspiring future.

Progress is being made. We will encourage focus on a small set of goals that are achievable that can be pursued by all staff and stakeholders immediately. *Results change conversations and resources.*

Budget Process and Timetable

Budgeting is the process of setting financial and enrollment goals, forecasting future financial resources and needs, monitoring and controlling income and expenditures, and evaluating progress toward achieving the district's goals. Detailed budget planning allows MPS to maximize instructional opportunities for children while ensuring prudent use of resources.

The district-wide budget development process is a multi-year collaborative process involving many stakeholders including students, school governance councils (SGC), families, school leaders, learning teams, Central Services personnel and chiefs of every office, task forces, community stakeholders, the superintendent and the MBSD.

The budget preparation process begins each year in August with the review of performance indicators and continues through the beginning of June with the adoption of the budget by the MBSD. In the fall the Department of Financial Planning & Budget Services within the Office of Finance works with the superintendent's senior team and with school leaders and program coordinators to make any programmatic and budget changes necessitated by enrollment changes or other developments.

During the winter, school and office budget carousels were held with each school leader and office chief. These carousels were hosted by the superintendent, Office of Finance and Office of School Administration and identified progress, challenges, current capacity to address those challenges, and school and office resource needs. All traditional, alternative and instrumentality charter schools participated in the budget carousels. The participants included the school leader, school support teacher and parent coordinator from each school.

From these discussions and feedback from community surveys, recommendations for infrastructure changes and the need to repurpose existing resources, roles and activities emerged that will improve technical assistance and centralized support to schools.

A growing body of research has found that school facilities can have a profound impact on both teacher and student outcomes. Without adequate facilities and resources it is extremely difficult to serve large numbers of children with complex needs. Separate school facility carousel meetings were held in February and March. The facility carousel meetings—hosted by the chief operations officer, Office of Finance, Office of School Administration and the Office of Chief of Staff—addressed communication and collaboration on facility matters, adequacy of school facilities for instruction programming and priorities for facility repairs and improvements. The participants included the school leader, building engineer and parent coordinator from each school. Data collected from these sessions, along with feedback gathered through school walk-throughs, will be used to inform the educational maintenance budget, long-range facility master plan and capital funding plan.

The district is using many different vehicles to solicit and act upon feedback from staff and the community. Some of these methods are principal, teacher and student advisory groups that work with the Office of the Superintendent. The District Advisory Council is made up of parent representatives from all of the schools and meets monthly with district staff. These sessions provide individuals with an opportunity to learn more about and provide feedback on the progress toward the Eight Big Ideas, as those efforts form the basis of the superintendent's budget recommendations. This work will provide input into the district's continuous improvement efforts and continue to inform budget priorities. Chart 1.1 depicts the budget timetable.

Chart 1.1 Budget Development Timetable

| Fiscal Years 2018 and 2019 Biennial Budget Planning Timetable | |
|--|---|
| <p>August–December</p> <ul style="list-style-type: none"> • Discuss the budget timetable, potential parameters, new programs, school changes and initiatives to be considered when preparing budget recommendations. • Collect a variety of inputs, ideas and costs with analysis of their impact for budget planning. • Collect stakeholder input into the development of the budget. | <p>September–October</p> <ul style="list-style-type: none"> • Strategic Planning and Budget Committee discusses and takes action on the proposed budget timetable and discusses potential parameters, new programs and initiatives. • Publish approved budget development timetable. • Revise budgets for Central Services and schools for the current year based on actual enrollment and identify future funding needs. |
| <p>October</p> <ul style="list-style-type: none"> • Action by the board on amendments to the adopted budget for the current fiscal year based on updated enrollment and revenue data. • Transmittal of amended adopted budget to the Milwaukee Common Council by the board clerk. • Finalize next-year enrollment projections. | <p>November–December</p> <ul style="list-style-type: none"> • Committee on Student Achievement and School Innovation meeting to discuss and take action on potential fiscal year 2018 school changes • School funding priority recommendations. • Collect cost-to-continue information. • Human resource carousels are held. |
| <p>December</p> <ul style="list-style-type: none"> • Discuss the district's five-year financial forecast, strategic plan progress and board action on budget timetable and parameters. • Administration reviews current programs and funding levels and the school allocations for establishing school-based budgets. | <p>January</p> <ul style="list-style-type: none"> • Discuss budget process and preliminary allocations. • School budget carousels are held. • Preparation of proposed office budgets. • Revise enrollment projections based on early enrollment results. |
| <p>February–March</p> <ul style="list-style-type: none"> • Preparation, with input from school governance councils, of proposed school budgets. • Preparation of proposed office budgets. • Office budget and facility carousels are held. • Optional facility carousels are held. | <p>April</p> <ul style="list-style-type: none"> • Compilation of the Superintendent's Proposed Budget by the Department of Financial Planning & Budget Services. • Release of the Superintendent's Proposed Budget. |
| <p>May</p> <ul style="list-style-type: none"> • Public hearings on proposed budget. • Statutory public hearing notice published. • Statutory hearing on proposed budget. • Board members submit and take action on possible amendments to the proposed budget. | <p>June</p> <ul style="list-style-type: none"> • Board takes action on proposed budget. • Board clerk transmits adopted budget to the Milwaukee Common Council. |
| <p>June–July</p> <ul style="list-style-type: none"> • Review performance indicators and use the results to inform operational performance. | <p>Ongoing</p> <ul style="list-style-type: none"> • Plan, organize and coordinate the development, preparation, presentation, implementation and evaluation of the district's budget. • Listening sessions and public input opportunities • Collect online stakeholder feedback on the budget and budget process |

Significant Changes in the Budget

Revenue is not keeping pace with inflation, leaving the district with limited ability to cover increased costs. Meeting the MPS vision is challenging within an environment of stagnant revenues, growing educational options, increased need for quality programming aimed at serving Milwaukee’s diverse student population and regaining public confidence that the school district can provide students with a quality education.

The district’s total projected revenue for 2017–18 is \$1.2 billion. The proposed budget 2017–18 reflects an overall reduction in spending of \$21.0 million, or 1.8 percent, from the 2016–2017 budget. The reduction is reflecting the fact that the 2016–17 budget includes borrowing in the construction fund which is not included in the proposed budget for 2017–18. Projected revenues in the general operations budget are virtually unchanged at a 0.3 percent increase over 2016–17.

Stable revenues are not enough to sustain the district’s operations. Modest inflationary pressures require growing revenues. The district also faces more significant inflationary pressure in medical costs and other employee benefits. Planning for 2017–18 has required careful reductions and reorganization efforts to effectively support the strategic plan while maintaining the fiscal health of the district. Due to rising costs in 2017–18, the following significant proposed changes in spending will occur:

- Reduce positions
- Reserve limited funds for employee raises related to trades workers only
- Increase projected funds to cover the rising costs of employee benefits
- Increase funding to cover spending in “other objects,” primarily for long-term debt. The 2016–17 budget included over \$36 million in offsets to scheduled payments for past obligations. The district was able to make those payments in 2015–16, but does not anticipate similar payments at the end of 2016–17.

Allocation of Human and Financial Resources to Achieve Goals and Objectives

Improving educational outcomes for students means focusing our collective energy in one place: classrooms. The proposed 2017–18 budget reflects that commitment by directing resources to our schools and increasing efficiency to expand the school-based focus at Central Services. One of the core beliefs of the district is that the classroom is the most important place in the district. This proposed budget reflects the district’s continuing commitment to the children we are privileged to serve. Even in tight fiscal times, the 2017–18 proposed budget reflects a commitment to maximizing available resources to provide support to students and schools.

Central Services and four new regional service hubs are transforming to improve teaching and learning. Work across the Offices of Academics, Innovation & Information and School Administration is being realigned to support each school community in improved service to students and families. Other offices and departments are changing their practices to reflect a more case-management approach to assist schools in problem solving and their individual improvement efforts.

Instructional Leadership Directors (ILD) will focus on coaching and supporting principals to strengthen classroom instruction. Each DSS will tailor their work to individual principals’ needs and model good practices. The emphasis will be intentional improvements in equity, a focus on curriculum and instruction, and supporting the social and emotional needs of our students in safe and healthy learning environments.

Each school will have at least a 1.0 FTE school support teacher. The school support teacher serves under the direction of the school’s principal and the Office of the Chief of Academics to support the *Framework for Teaching*. The teacher has several responsibilities at the school: instructional coaching, assessment coordination, use of data to inform instruction to improve student outcomes, implementation of educator effectiveness, facilitating peer observation, and planning and providing professional development based on teacher or school site needs.

The district is adding six deans of students, positions that will be assigned to the six comprehensive middle schools with a focus on improving school climate. Five paraprofessionals will be trained to work with students and families who need support due to chronic absenteeism.

Parent coordinators are located within every school to support connections with families that improve student achievement. For our young adults, College and Career Access Centers will be operating in all high schools to help students and families plan for success now and in the future. Full-time and part-time staff will be hired and assigned to those sites in partnership with the GE Foundation program transition plan. Three district Welcome Centers will provide additional locations where parents can receive assistance with enrollment, access to their child’s progress and bilingual and specialized services support.

Our schools feature strong curriculum—tied to the rigorous Common Core State Standards—that prepares students to succeed in college and careers. Funding supports the addition of a two-year world languages graduation component for high school students. MPS is home to the nation’s largest concentration of students participating in Project Lead the Way, which uses hands-on learning opportunities to expose students to engineering, math, science and technology in middle and high school. MPS also boasts the nation’s largest number of public Montessori schools—many of which lead the district in test score averages. The proposed budget includes support for a plan to increase the number of high-performing, in-demand programs in Milwaukee Public Schools.

Financial Component

Revenues and Expenditures for All Funds

Specific financial strategies and plans to support the MBSD’s goals and objectives are described in the budget. The district, as required under Governmental Accounting Standards Board (GASB) pronouncements, uses various fund types to report financial activity for its operating units. MPS administers the following funds: 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.

The 2017–18 proposed budget is balanced; i.e., the authorized expenditures are equal to projected revenues for the School Operations Fund. The budget projects \$1,176.1 million in total revenues and expenditures and the School Operations Fund portion is \$930.7 million. Chart 1.2 provides a financial summary for 2017–18 revenues and expenditures. Please note that charts in millions of dollars are noted (\$M) throughout the budget. In addition, the sums of figures do not always equal the total displayed due to rounding.

Chart 1.2 2017–18 Pro Forma Summary

| 2017-18 Pro Forma Budgeted Revenues and Expenditures (\$M) | | | | | | |
|--|-------------------|------------------|----------------|---------------|--------------|------------------|
| | School Operations | School Nutrition | Categorical | Extension | Construction | Total |
| Revenues | \$930.7 | \$51.5 | \$166.5 | \$24.8 | \$2.7 | \$1,176.1 |
| Expenditures | | | | | | |
| Salaries and Wages | \$402.6 | \$11.6 | \$76.5 | \$11.6 | \$0.0 | \$502.3 |
| Employee Benefits | 209.3 | 7.4 | 37.6 | 2.8 | - | 257.1 |
| Total Salary and Benefits | \$611.9 | \$19.0 | \$114.1 | \$14.5 | \$0.0 | \$759.4 |
| Student Transportation | 63.1 | - | 0.2 | 0.1 | - | 63.5 |
| Contracted Services | 99.6 | 2.2 | 42.8 | 6.3 | - | 150.9 |
| Construction Contracts | 3.1 | - | - | 1.4 | 2.5 | 7.0 |
| Interdistrict Student Tuition | 36.0 | - | 0.4 | - | - | 36.4 |
| Utilities | 19.5 | - | - | 0.2 | - | 19.7 |
| Maintenance Contracts | 11.0 | - | - | 0.1 | - | 11.1 |
| Telephone | 2.5 | 0.0 | - | 0.0 | - | 2.6 |
| Postage | 1.2 | - | 0.0 | 0.1 | - | 1.3 |
| Other Purchased Services | 3.5 | 0.3 | 1.5 | 0.8 | - | 6.0 |
| Total Purchased Services | \$239.5 | \$2.5 | \$44.9 | \$9.0 | \$2.5 | \$298.4 |
| Debt Service | \$32.8 | \$0.0 | \$0.0 | \$0.0 | \$0.0 | \$32.8 |
| Textbooks | 3.8 | - | 0.0 | - | - | 3.8 |
| Non-Text Books | 5.0 | - | 0.0 | - | - | 5.1 |
| Consumable Supplies | 12.3 | 2.4 | 4.0 | 0.5 | - | 19.2 |
| Other Supplies | 5.3 | 25.5 | 3.5 | 0.2 | - | 34.5 |
| Total Supplies | \$26.4 | \$28.0 | \$7.5 | \$0.7 | \$0.0 | \$62.5 |
| Insurance | \$9.5 | \$0.1 | \$0.0 | \$0.3 | \$0.0 | \$9.8 |
| Capital Expenses | 1.6 | 1.8 | - | 0.1 | 0.2 | 3.7 |
| Building Modifications | 0.6 | 0.2 | 0.0 | 0.3 | - | 1.1 |
| Total Capital Expenses | \$2.3 | \$2.0 | \$0.0 | \$0.4 | \$0.2 | \$4.8 |
| Other Accounts | \$8.3 | \$0.0 | \$0.0 | \$0.1 | \$0.0 | \$8.4 |
| Total | \$930.7 | \$51.5 | \$166.5 | \$24.8 | \$2.7 | \$1,176.1 |

District-wide, 64.6 percent of funds are used for salaries and benefits as shown in Chart 1.3. While the School Operations Fund budget is projected to be only 0.3 percent more than the current fiscal year, the district is continuing its commitment to invest more resources in the classroom.

Chart 1.3 2017–18 District-wide Expenses

| 2017–18 District-wide Expenses (\$M) | |
|--------------------------------------|------------------|
| Type | Amount |
| Salaries | \$473.5 |
| Other Wages | 28.8 |
| Employee Benefits | 257.1 |
| Purchased Services | 298.4 |
| Supplies | 62.5 |
| Debt Service | 32.8 |
| Capital Expenses | 4.8 |
| Other Expenditures | 18.2 |
| Total | \$1,176.1 |

Chart 1.4 Use of School Operations Fund Summary

| District Use of School Operations (General & Debt) Fund Summary (\$M) | |
|--|----------------|
| Office | Amount |
| Academics | \$8.1 |
| Accountability & Efficiency | 1.1 |
| Board/Board Governance | 2.9 |
| Chief of Staff | 2.4 |
| Finance | 5.0 |
| Human Resources | 5.4 |
| Innovation & Information | 16.2 |
| Inter-department & Inter-fund | (9.8) |
| Operations | 29.0 |
| Other Accounts | 164.2 |
| School Administration | 7.4 |
| Schools | 697.9 |
| Superintendent | 0.9 |
| Total | \$930.7 |

The majority of the School Operations Fund is spent on schools. Chart 1.4 shows that schools and school accounts are budgeted at \$697.9 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.

For every dollar budgeted in the MPS School Operations Fund, eighty-nine cents is used to educate and support children in Milwaukee, as shown in Chart 1.5. 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 four cents supports necessary operations expenses such as utilities, insurance, technology licenses and debt repayment.

Chart 1.5 Where Is the Money Spent?



Budget Comparisons for All Funds

Annual budgetary decisions are focused on general operating funds received from state aid, property taxes, federal aid and local sources. Chart 1.6 shows that majority of general operations funding is from state aids and the local property tax levy, which are capped by the state's revenue limit.

Chart 1.6 Where Does the Money Come From?

| 2017–18 Revenue Sources | |
|--|---------|
| Source | Percent |
| Property Tax Levy /State Equalization/Integration Aids | 70.6% |
| State Other Aids | 10.7% |
| Federal Aids | 16.9% |
| Local Non-Property Tax Revenues | 1.8% |

Chart 1.7 shows a revenue comparison between the 2017–18 proposed budget and the 2016–17 amended adopted budget for the district's five funds. The proposed budget has total projected revenues of about \$1.2 billion. Summary notes for each fund follow the chart, and more detailed information for each fund is provided in the financial section.

Chart 1.7 District Revenue Overview

| District Revenue Overview: 2017-18 Proposed Budget Compared to 2016-17 Amended Adopted Budget (\$M) | | | | | | |
|---|--------------|--------------|--------------|-----------------|--------------|-----------------|
| | Operations | Nutrition | Extension | Construction | Categorical | Total |
| 2016-17 F.A. | \$928.3 | \$50.6 | \$23.0 | \$34.1 | \$161.1 | \$1,197.1 |
| 2017-18 P.B. | 930.7 | 51.5 | 24.8 | 2.7 | 166.5 | 1,176.1 |
| Year-to-Year Increase/(Decrease) | \$2.4 | \$0.9 | \$1.8 | (\$31.5) | \$5.3 | (\$21.0) |
| | 0.3% | 1.8% | 8.0% | -92.1% | 3.3% | -1.8% |

The revenue limit impacts year-to-year changes in MPS's School Operations budget. The revenue limit for 2017–18 is \$810.6 million, which is \$12.9 million lower than fiscal year 2016–17. This loss is offset by two increases in the governor's proposed budget that are outside of the revenue limit. One is a \$200 increase (from \$250 to \$450) in per-pupil aid, which will result in an MPS aid increase of \$15.4 million. The second is support specifically for MPS in the amount of \$1.4, million intended to increase summer school opportunities.

These revenue changes will not allow the district to continue prior year operations at even a modest increase to keep up with costs. Furthermore, like most school districts, MPS has a significant part of its budget dedicated to employee medical coverage. This cost is projected to rise six percent over the prior year. Initiatives that show promise for moving the district forward can be funded only with difficult reductions in other areas.

The School Nutrition Services Fund is an enterprise fund; the fund is managed by the Department of Nutrition Services, which administers the National School Lunch and Breakfast programs (NSLB) in all MPS schools as well as the After-School Snack program, Child and Adult Care Food program, Summer Food Services program and the Fresh Fruits and Vegetables program. As an enterprise fund, the operations are expected to generate sufficient

revenue to cover costs. Revenues for the fund include federal and state aids and revenue earned from cafeteria sales. The budgeted \$51.5 million in revenue is an increase of almost \$1.0 million from the prior year due to an anticipated increased federal reimbursement rate for meals served.

The 2017–18 proposed budget for the Extension Fund anticipates revenues and authorizes expenditures totaling \$24.8 million. The revenues include property tax levy and local revenues (including fees for recreation programs). The purpose of the Extension Fund is to support community programs and services outside of the regular curricular and extracurricular programs.

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 local tax levy for the Construction Fund will remain at the 2016–17 level of \$1.1 million which when combined with rental revenues and other local revenues will result in a total 2017–18 Construction Fund of \$2.7 million. The remainder of the property tax revenues will be retained in the School Operations Fund to be used for instructional and support services.

The Categorically Aided Programs Fund is used to account for proceeds from federal, state and private grants that fund special projects based on need. MPS uses the term “categorical” funding to refer to all grant resources, and these terms are used interchangeably. These funds must be used according to the funder’s timeline, purpose and rules. The 2017–18 proposed budget for the Categorical Fund assumes total revenue and expenditures of \$166.5 million, which is an increase of \$5.3 million compared to 2016–17. While annual base-level funding is declining for the district’s federal funds, the primary reason for increased 2017–18 categorical revenues is the use of carryover funds from 2016–17.

Trends, Events and Initiatives

Achievements

Milwaukee Public Schools is committed to accelerating student achievement, building positive relationships between youth and adults and cultivating leadership at all levels. The district’s commitment to improvement and reaching the district goals through the strategic plan (Chart 1.8) continues to show results including the following:

- The MPS classes of 2015 and 2016 earned a combined record-setting scholarship combined total of more than \$90.0 million.
- More families are choosing MPS. Enrollment is up over 1,200 students at MPS sites compared to the 2015–16 school year as the district adds more in-demand programs and opportunities.
- More MPS high school students are taking Advanced Placement and International Baccalaureate classes. In 2016–17, twenty-one percent of all MPS high school students (over 4,000) are taking college-level classes.
- An aggressive expansion of a culinary arts and hospitality program in four MPS high schools, supported by Bartolotta Restaurants and other partners, is preparing more students for success in this growing field.
- MPS is the only school district in Wisconsin selected to participate in Turnaround Arts. Four schools were selected for the White House initiative that improves student achievement through the arts.
- MPS Drive, our free Universal Driver Education program, is expanding to serve up to 1,400 MPS students this year with a goal of serving every eligible MPS student.

- We are integrating the lessons that we learn from some of our other successful programs—our GE Schools and our Community Schools—to help more schools thrive.
- Nearly one-third of MPS schools moved up a category on the Wisconsin Department of Public Instruction 2015–16 School and District Report Cards. In total, 55 of the schools met, exceeded or significantly exceeded expectations.

Chart 1.8 The Eight Big Ideas

THE EIGHT BIG IDEAS



With nearly one year of full strategic plan implementation, MPS continues to aggressively pursue progress and achievement in the three MBSD goal areas. Chart 1.9 details the progress by showing significant initiatives.

Chart 1.9 Significant Trends, Events and Initiatives

ACADEMIC ACHIEVEMENT

- 1 **Equity Framework:** The MPS Equity Commission finalized a framework for school culture and began drafting a comprehensive, district equity policy.
- 2 **Professional Development:** A six-week, school-based professional development (PD) cycle was implemented, giving schools more of a stake in their PD.
- 3 **Bridging the Digital Divide:** The district increased our Advanced Placement telepresence course enrollment from 30 students in 2015–16 to 175 in 2016–17.
- 4 **District Support to Teachers:** The district conducted 5,906 classroom walk-throughs, leading to over 100 guaranteed supports provided to schools.
- 5 **Credit Recovery:** Credit recovery course completion has increased 34 percent from 2015–16 to the current school year.
- 6 **World Languages:** A two-year world languages graduation requirement was adopted by the MBSD.
- 7 **Early Childhood Classrooms:** More than 230 K5 and grade 1 early childhood classrooms were refreshed with child-friendly furniture and developmentally appropriate materials.
- 8 **Innovative Arts Initiative:** Via the *Fill the Gaps* initiative, the district entered into 49 contracts to provide art services to students enrolled in schools with art teachers vacancies.
- 9 **MPS Drive:** We proudly launched year one of MPS Drive, serving 373 students (through January 13, 2017) who achieved a 97 percent pass rate on the *Department of Motor Vehicles* temporary permit test.
- 10 **Saturday Academy:** 630 students participated in our *Saturday Academy* credit recovery and accelerated courses to date.
- 11 **Summer Academy & Freshmen Bridge:** Increased our 2016 *High School Summer Academy* student participation from 568 in 2015 to 1,580 in 2016. Prepared 2,116 students for 9th grade via our Freshman Bridge program.
- 12 **Alternative Programs:** Enrollment in GEDO #2 programs grew from 320 students in 2014–15 to 665 students as of March 2017.
- 13 **College & Career Access:** The number of individual visitors to the College & Career Centers climbed from 1,695 (2015–16) to 2,454 as of March 5, 2017.
- 14 **Advanced Placement:** Twelve MPS high schools now offer five or more Advanced Placement (AP) courses, with our AP Capstone Diploma expanded to five high schools.
- 15 **Workforce Development:** In collaboration with community partners, expanded and formalized a culinary arts program at four MPS high schools, with hundreds of students enrolled.
- 16 **Classroom Technology:** Our high schools achieved a 1:1 ratio of Chromebooks-to-students this school year, with 64,000 Chromebooks used by students across the district.



STUDENT, COMMUNITY & FAMILY ENGAGEMENT

- 17 Foundation Support:** The MPS Foundation received donations and grants totaling approximately \$900,000 and awarded \$2,000 to teachers for classroom grants and \$40,000 supported scholarships for students.
- 18 Parent Leadership:** Increased average attendance of our parent District Advisory Council to 76 participants, up from an average of 53 at end of 2015-16.
- 19 Family Outreach:** Three Family Forums reached more than 550 attendees, and graduated over 25 families from the *MPS Families as Partners Institute*, an eight-week training.
- 20 Branding Improvements:** A new district-wide branding campaign launched including marketing plan development with 29 schools.
- 21 Community Impact:** The MPS C.A.R.E.S. initiative launched a Midnight Sports League at Bradley Tech with several community partners; 130 young men ages 17–25 participated in the inaugural season.
- 22 Beyond the Classroom:** The MPS C.A.R.E.S. initiative opened Twilight Centers at six high schools serving a combined attendance of 18,574 duplicated youths to date.
- 23 Customer Service:** The district created MPS Welcome Centers at two geographically dispersed high schools to provide families with customer-friendly service and equitable access to the district.
- 24 Enrollment Increases:** MPS exceeded its student enrollment target, increasing student enrollment two percent from 75,568 (2015–16) to 76,857 (2016–17).

EFFECTIVE & EFFICIENT OPERATIONS

- 25 Professional Learning:** MPS University was established and began cohorts for reading, special educational, and building engineer licensing extension programs.
- 26 Leadership Development:** The inaugural Aspiring Leaders Program was launched to identify, train and support future principals and assistant principals.
- 27 Strategic Recruitment:** Several goals were met including, increased employee recruitment, establishing contacts with historically black colleges and universities, attending national job fairs, and building relationships with Puerto Rico, Spain and Mexico.
- 28 Strategic Planning:** The board-approved strategic plan was implemented and staff were aligned to further build out and ensure day-to-day execution of district project work toward defined outcomes.
- 29 Digital Transformation:** To increase collaboration, conduct process improvement and better support schools, implemented Smartsheet—a project management tool— throughout Central Services.
- 30 Learning Management System:** Selected a vendor for the HRMS/FIS system, which will include a robust Learning Management System with a targeted start date of September 2017.



2016–17 Growth

Chart 1.10 provides a fact sheet on MPS aligned to the Milwaukee Board of School Directors' goals. During 2016–17 strong programs tied to the Regional Development Plan were expanded. Morse Middle School for the Gifted and Talented and Rufus King International School–Middle Years Campus were relocated to better meet the needs of their students and provide capacity for growth. The popular Milwaukee Spanish Immersion School opened a second site. Pulaski High School and Carmen High School of Science and Technology–South Campus have formed a student-centered partnership and are creating an academic campus that offers new opportunities for student success.

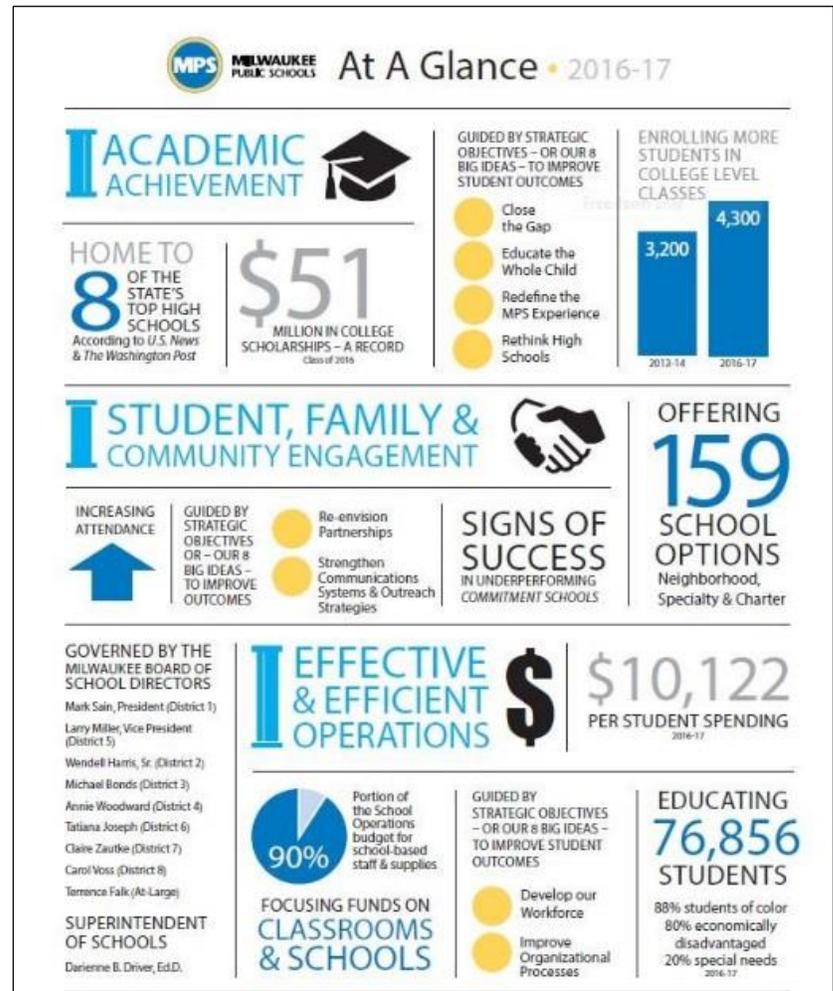
The district utilizes the research-based Collective Impact Model, which seeks to improve student outcomes by engaging different community, business and other organizations.

Some examples under way now include workforce development initiatives in agriculture at Vincent High School, culinary arts with the ProStart program at four high schools, the Milwaukee Partnership Schools and the 5-in-1 Collaborative Partnership at Carver Elementary School.

MPS's accelerated effort to improve achievement for all students is already yielding positive results. We've 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 2016–17, community partnerships flourished, and we will continue to advance our efforts this year. Multiple partnerships prove vital in rounding out our students' MPS experience and setting a community-wide example of an investment in our students and schools. Our partners are essential and send a clear message that our community cares about Milwaukee's children.

Chart 1.10 MPS at a Glance



2017–18 Initiatives

To achieve the outcomes linked to the Eight Big Ideas, the administration will implement more rigor during the 2017–18 school year with equity embedded throughout all lines of effort. The Transformation Network Strategy, based on research, will be used to reform schools and significantly improve student achievement. Forty-two MPS schools failed to meet expectations on the Wisconsin Department of Public Instruction 2015–16 State Report Cards. The district’s vision is to transform persistently low-performing schools into high-performing schools by implementing rigorous academic and behavioral interventions as well as focused support for school leaders and staff. Chart 1.11 depicts the lines of efforts that build the focus for the 2017–19 strategic initiatives.

Chart 1.11 Strategic Plan Implementation

| Strategic Plan Implementation 2017-2019 | | |
|---|--|--|
| Goals | Strategic Objectives | Lines of Effort |
| MPS Board Goal #1: Academic Achievement | Objective 1: Closing the gap  | <ul style="list-style-type: none">  Equity, access and opportunity  Instructional redesign  School transformation  Bilingual and multicultural education  Academic partnerships |
| | Objective 2: Educating the whole child  | <ul style="list-style-type: none">  Trauma sensitive schools  Promote healthy choices  Strengthening student-teacher relationships  Expand early childhood opportunities  Improving outcomes for Black and Latino males |
| | Objective 3: Redefine the MPS experience  | <ul style="list-style-type: none">  Expand fine arts opportunities  Expand co/extracurricular opportunities  Redefine extended learning opportunities  Recreation enhancement |
| | Objective 4: Rethinking high schools  | <ul style="list-style-type: none">  Rethink high schools  Rethink middle schools  College readiness transformation  Career readiness transformation |

| Strategic Plan Implementation 2017-2019 Continued | | |
|---|---|---|
| Goals | Strategic Objectives | Lines of Effort |
| MPS Board Goal #2: Student, Family and Community Engagement | <p>Objective 5: Re-envision partnerships</p>  | <ul style="list-style-type: none">  Develop robust business partnerships  Enhance community and alumni partnerships  Empower families  Advocate and engage for the well-being of students and the community |
| | <p>Objective 6: Strengthen communication systems and outreach strategies</p>  | <ul style="list-style-type: none">  Stabilize enrollment  Improve internal communications  Execute branding and awareness campaign  Embed customer service in MPS culture |
| MPS Board Goal #3: Effective and Efficient Operations | <p>Objective 7: Develop our workforce</p>  | <ul style="list-style-type: none">  Improve recruitment and retention of staff  Cultivate employee well-being  Performance, compensation, and recognition  Leadership development |
| | <p>Objective 8: Improve organizational processes</p>  | <ul style="list-style-type: none">  Align infrastructure  Strategic planning and project management within the organization  Student and building safety  Asset and resource development |

Process improvement is defined as the ongoing, proactive task of identifying, analyzing and improving upon existing business processes and practices. The district faces increased pressure to operate more efficiently and effectively while working to recruit and retain students through expansion of strong academic programs and services. Effectively managing change is critical to the successful improvement of business processes and organizational performance.

The achievement gap is an important issue that must be addressed in order to improve academic performance. Focus on equity, access and opportunity in all areas is a priority as we redesign the curriculum, implement the district improvement plan and turn-around low performing schools.

In an urban setting neighborhoods are diverse and a student's life experiences encompass a wide-spectrum. It is critical that the educational process considers the child as a whole and creates systems that are inclusive of social-emotional learning, wellness and opportunities that include community organizations that extend beyond the school walls. MPS students deserve a comprehensive education that supports the well-being of the whole child and facilitates success in college, career and citizenship.

Milwaukee Public Schools is an integral part of Milwaukee and we constantly strive to build and maintain community partnerships. These connections enable us to maximize resources while drawing upon the extensive knowledge of experts who help us improve our services. We have hundreds of successful partnerships, highlighted here are two initiatives that grew from the relationships we have been proud to develop with local businesses and organizations.

Planning is already under way for our Year of the Arts celebration, which will begin at the start of the 2017–18 school year. A collaborative campaign of MPS and Cre8MKE will raise awareness of, reflect upon, draw connections to and build support for arts education assets and resources in Milwaukee Public Schools. Year of the Arts activities will include a student logo design competition, launch celebrations, release of a local study on arts education, the creation of a Year of the Arts plan at every MPS school, a city-wide student/family passport to the arts, professional development to increase teachers' knowledge of creative thinking strategies, a continued spotlight on our Turnaround Arts schools and a culminating arts education festival!

And, thanks to our partnerships with the Milwaukee Bucks, Running Rebels, Milwaukee Fire and Police Commission, Milwaukee Police Department, Safe & Sound and the City of Milwaukee, MPS C.A.R.E.S. launched a free midnight sports league for young men this spring. This initiative will continue to provide a safe space for league participants while integrating elements to help them improve their lives, including mentoring, career development and life skills.

Financial and Demographic Changes

While the district is pleased with the progress of 2016–17 efforts to date, it also recognizes the importance of a realistic approach to challenges that still exist. Milwaukee Public Schools' revenues are tied directly to its enrollment. The highly competitive nature of the K–12 ecosystem in Milwaukee adds to financial challenges. Families living in the City of Milwaukee can choose MPS neighborhood schools, specialty schools or charter schools, but they can also choose non-MPS charter schools, suburban district schools through open enrollment or private schools, which are bolstered by the voucher/Choice program.

With all of this in mind, we designed this budget to uphold our commitments to the district's goals while responsibly preparing for the years to follow. Though our operational costs are in line with other urban districts, we must carefully end commitments to initiatives that do not improve student achievement. We must ensure that we use best practices in delivery of efficient and highly effective services.

Informational Component

Budget Forecast

The district prepares five-year projections by statutory fund as part of the spring budget process for the following fiscal year. The district also updates its financial forecasts in November, in part to help set the parameters for budget planning. Chart 1.12 shows an estimate of revenues and expenditures in the School Operations Fund (general and debt) for each year through 2021–22. Information includes the amended adopted budget for 2016–17; the proposed budget for 2017–18; an early estimate of revenues and expenditures for each year 2018–19, 2019–20, 2020–21, 2021–22; and changes from the proposed 2017–18 budget to the estimated 2021–22 budget.

Chart 1.12 School Operations Fund—Five-Year Projection

| School Operations Fund - Five-Year Projection (\$M) | | | | | | | |
|---|----------------|----------------|-----------------|-----------------|-----------------|------------------|----------------|
| | 2016-17 | 2017-18 | 2018-19 | 2019-20 | 2020-21 | 2021-22 | FY22 vs FY18 |
| | F.A. | P.B. | Estimated | Estimated | Estimated | Estimated | Inc / (Dec) |
| Revenues (without applied surplus) | \$928.3 | \$930.7 | \$922.7 | \$923.6 | \$924.5 | \$925.4 | (\$5.3) |
| Expenditures | | | | | | | |
| Salaries/Other Wages | 420.5 | 402.6 | 406.6 | 410.7 | 414.8 | 418.9 | 16.3 |
| Benefits | 205.8 | 209.3 | 213.5 | 223.1 | 233.8 | 245.0 | 35.7 |
| Purchased Services | 256.0 | 239.5 | 240.2 | 244.8 | 247.7 | 251.0 | 11.5 |
| Supplies/Materials | 35.0 | 26.4 | 26.7 | 27.0 | 27.2 | 27.5 | 1.1 |
| Capital Purchases | 5.2 | 2.3 | 2.3 | 2.3 | 2.3 | 2.4 | 0.1 |
| Debt Service | 31.1 | 32.8 | 33.9 | 34.3 | 33.5 | 34.8 | 2.0 |
| Insurances | 10.1 | 9.5 | 9.9 | 10.3 | 10.7 | 11.1 | 1.6 |
| Other | (35.4) | 8.3 | 8.4 | 8.4 | 8.5 | 8.6 | 0.3 |
| Total Expenditures | \$928.3 | \$930.7 | \$941.4 | \$960.9 | \$978.5 | \$999.3 | \$68.6 |
| Balance (before use of prior year funds) | - | - | (18.8) | (37.3) | (54.0) | (73.9) | |
| Use of prior year funds for legacy costs | - | - | - | - | - | - | |
| Final Surplus/ (Deficit) | \$0.0 | \$0.0 | (\$18.8) | (\$37.3) | (\$54.0) | (\$73.9) | |
| Cumulative Surplus / (Deficit) | \$35.3 | \$35.3 | \$16.6 | (\$20.7) | (\$74.7) | (\$148.5) | |

School operations expenditures, projected if operations remain largely the same, are expected to increase by \$68.6 million between 2017–18 and 2021–22. The primary driver of the cost increase continues to be medical inflation, which is projected to increase six percent, compounded annually, over the next five years. 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.

The projection includes a plan to restore the annual Construction Fund tax levy to exceed \$10 million and includes \$34 million of borrowed funds. By using borrowing authority under the district's allocation of Qualified School Construction Bonds (QSCB), the district is able to limit interest costs while ensuring that our buildings are safe, welcoming, and conducive to learning. The primary purpose of the borrowed funds would be to address major maintenance that has been deferred.

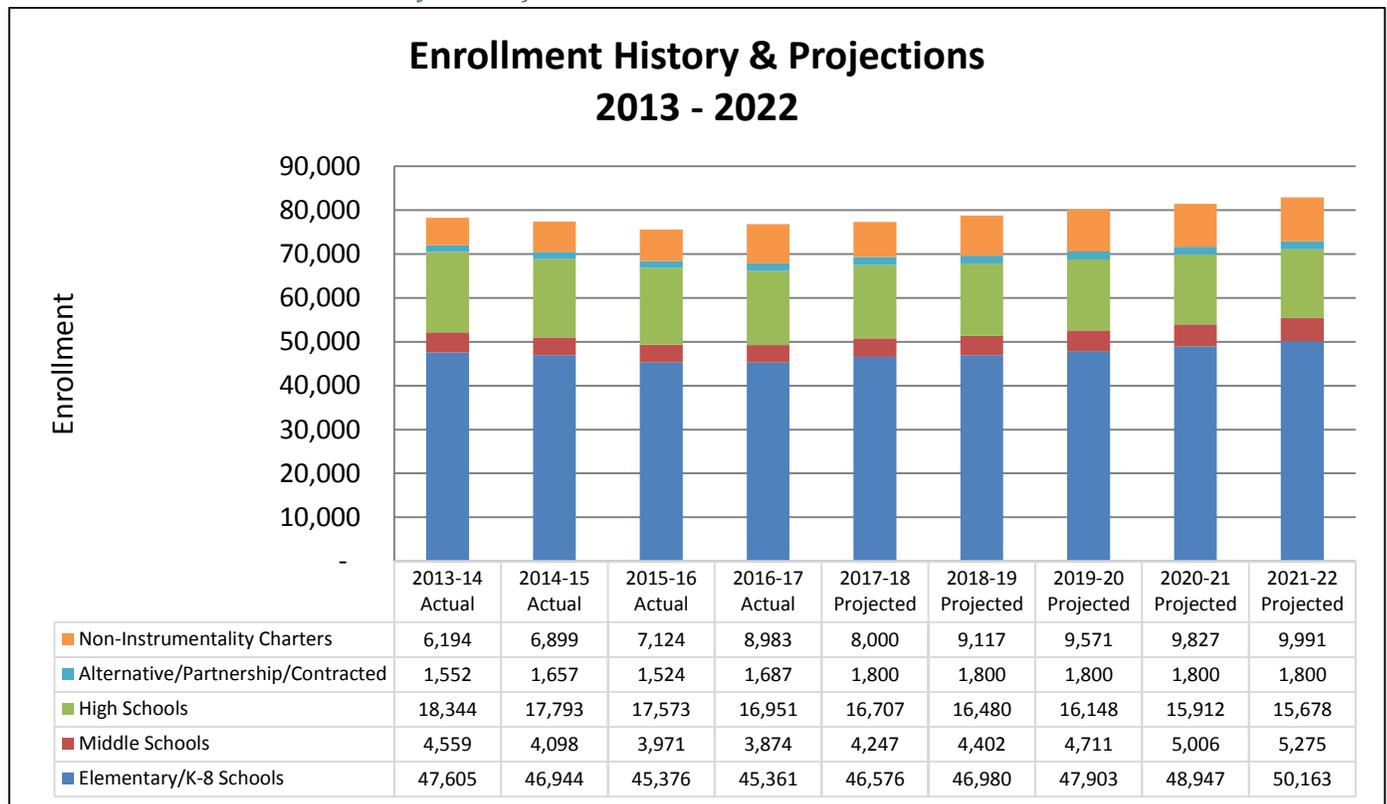
Student Enrollment Trends and Forecast

Student enrollment is a major factor in determining the state revenue. Lower enrollment, along with legislative action regarding the revenue limits, leads to lower state revenues for the district. In 2017–18 the district will serve a projected 76,534 students in 159 schools. The students are served in 98 elementary and K–8 schools, six schools serving grades 6–12 or K–12, six middle schools, fifteen high schools, sixteen non-instrumentality charter schools, five instrumentality charter schools, seven partnership schools and six alternative schools.

The projected number of students attending MPS in 2017–18 is only a 0.4 percent decrease from 2016–17 actual enrollment. Between 2015–16 and 2016–17 outgoing open enrollment decreased by 8.8 percent, and outgoing Chapter 220 enrollment dropped by 20.8 percent. Both the open enrollment and the Chapter 220 program allow students to reside in one district and attend school in another. Due to a change in law, no new students have been allowed into the Chapter 220 program since 2015–16. We can expect the number of students leaving the district through the Chapter 220 program to decline each year as students graduate and are not replaced with new students.

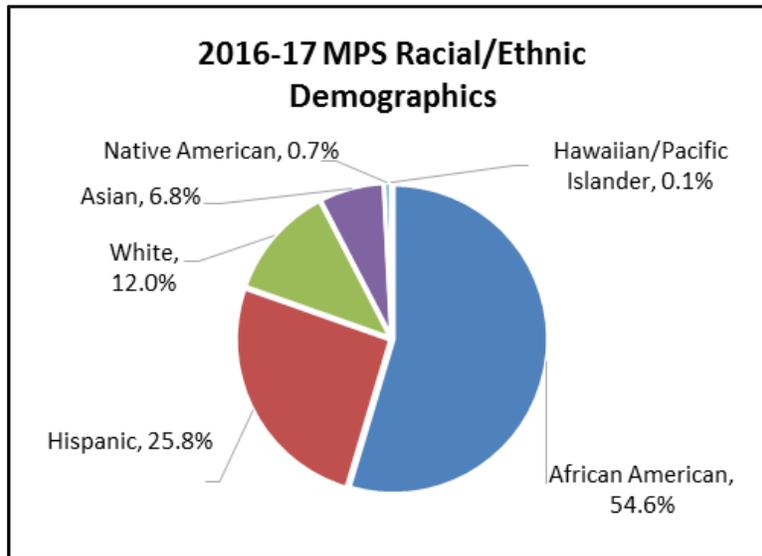
Four years of actual student enrollment history and projections for the next five years are found in Chart 1.13 and are based on the audited Third Friday number reported to the Department of Public Instruction (DPI). The Third Friday number reflects the students who began the school year enrolled in an MPS school and determines a school’s per-pupil allocation. The administration uses demographic data and enrollment trends to develop a system-wide projection of pupil counts. A grade-by-grade breakdown is determined, followed by expected enrollments in the Chapter 220 program, open enrollment program, alternative and partnership schools and non-instrumentality charter schools. The administration consults with DPI regarding projected enrollment of Milwaukee children in non-MPS schools.

Chart 1.13 Student Enrollment History and Projection



The students of MPS are racially and ethnically diverse as displayed in Chart 1.14. The majority of the students are African-American or Hispanic. Nearly 10 percent of students are English language learners (ELL) who speak over 60 languages. Of all students enrolled in MPS, approximately 19.8 percent are students with special needs and 79 percent come from economically disadvantaged households.

Chart 1.14 Student Demographics



Tax Base and Rate Trends

The city is required to levy and collect property taxes to support the MPS budget. The property tax levy is the amount of money that will be raised from taxes on City of Milwaukee homes and businesses. The tax bill received by owners of non-tax-exempt real estate in the city contains the property tax for six units of government: City of Milwaukee, Milwaukee County, Milwaukee Public Schools, Milwaukee Area Technical College, Milwaukee Metropolitan Sewerage District and the state forest fund.

The tax for each property is calculated by multiplying the property’s assessed value by the property tax rate. Assessed valuation is determined by the City of Milwaukee Assessor’s Office. Equalized valuation is determined by the State of Wisconsin Department of Revenue. Chart 1.15 details the assessed and equalized valuation of taxable property in the City of Milwaukee and illustrates the decline from 2011 to 2015 due to declining economic conditions.

Chart 1.15 Assessed and Equalized Valuation – City of Milwaukee

| Assessed and Equalized Valuation City of Milwaukee (\$M) | | | |
|---|--------------------|--------------------------------|---------------------|
| Assessed Year | Assessed Valuation | Assessed Valuation Inc / (Dec) | Equalized Valuation |
| 2011 | \$27,918 | (\$131) | \$27,955 |
| 2012 | 25,322 | (2,596) | 26,422 |
| 2013 | 25,034 | (288) | 26,090 |
| 2014 | 25,024 | (10) | 26,138 |
| 2015 | 25,263 | 238 | 25,980 |
| 2016 | 25,121 | (142) | 27,027 |

Source: City of Milwaukee Assessor’s Office

The aggregate amount of property taxes to be levied for school purposes is determined according to provisions of Chapter 120 of the Wisconsin State Statutes. Property taxes for the district are adopted by the board by early November and are certified to the city for levy and collection. The district's property taxes are levied annually prior to December 31, are administered by the city for the district based on the assessed (taxable) values as of January 1 of that calendar year and are recognized as district revenue in the fiscal year they are levied.

The state of Wisconsin manages the Milwaukee Parental Choice Program (MPCP) that allows eligible students to attend a participating private school. The private school, on behalf of the pupil's parent or guardian, receives a state aid payment for each eligible student. The \$48.6 million of MPCP costs represents about 17.0 percent of the revised all-fund tax levy for 2016–17.

Based on the budget adopted by the Milwaukee Board of School Directors in October 2016, the MPS/MPCP all-fund tax levy for 2016–17 decreases \$19.5 million, or 6.5 percent, from the amount levied for 2015–16. Chart 1.16 shows a six-year history of the tax levy amounts adopted by the MPS board and five years of the related tax rate. As explained above, the city determines the tax rate—the amount per thousand dollars of assessed property value—that Milwaukee taxpayers will pay toward the MPS budget. The rate amount varies in part because of the changing city-wide assessment, a \$25 billion figure that declined in 2016 (see chart 1.15).

Chart 1.16 Tax Levies and Rates for School Purposes

| Tax Levies and Rates for School Purposes | | | | | |
|--|-------------------|--------------|--------------|---------------|------------------------|
| Budget Year | School Operations | Construction | Extension | Total | Tax Rates per Thousand |
| 2012 | \$275,843,911 | \$5,127,012 | \$16,815,871 | \$297,786,794 | \$9.30 |
| 2013 | 274,919,524 | 8,619,687 | 17,065,871 | 300,605,082 | 10.35 |
| 2014 | 272,784,364 | 9,600,000 | 17,065,871 | 299,450,235 | 10.51 |
| 2015 | 275,612,673 | 9,600,000 | 17,065,871 | 302,278,544 | 10.66 |
| 2016 | 272,968,295 | 10,600,000 | 17,065,871 | 300,634,166 | 10.20 |
| 2017 | 260,069,165 | 1,100,000 | 20,000,000 | 281,169,165 | 9.33 |

From 2011–12 to 2015–16, the total MPS levy changed less than 1.0 percent each year. The combination of a lower revenue limit and increased state aid results in a 6.5 percent reduction in the overall levy for 2016–17. The Extension Fund levy was increased to provide funds for MPS C.A.R.E.S., an outreach and programming initiative, and establish a sustainable revenue source for future programming.

Personnel Resources Changes

District-wide personnel costs are projected to be \$759.4 million, which at 64.6 percent of the total proposed budget is the district's largest expense. The district distributes employee benefit costs to school and department budgets by charging a set-rate benefit cost. The fringe benefit rate used for school and department budgets increased from 48.3 percent in 2016–17 to 50.2 percent in 2017–18 primarily due to rising health care costs.

The district is committed to maximizing classroom resources and continues to explore all options when it comes to enhancing instructional support for our students. The largest job categories are teachers and educational assistants who work directly with students. Since most of the cost of the school district is in staff, and revenues

have not kept pace with compensation costs, there will be a loss of 187 school based positions and seven non-school based positions. Of the 9,718 staff in MPS, 8,034 or 82.7 percent are school-level positions. Ninety-six teaching positions are reduced throughout the district. Educational assistant positions will decrease by 98, which will right-size positions to the available staff. Chart 1.17 provides the changes in staff from the 2016–17 amended adopted budget to the 2017–18 proposed budget.

Chart 1.17 MPS Staff Distribution Comparison to Previous Year

| MPS Staff Distribution 2017–2018 Proposed Budget | | | | | | |
|--|----------------|-----------------|----------------------|-----------|-------------|-------|
| Position Type | Amended | Proposed Budget | Year to Year Changes | | | |
| | Adopted Budget | | 2017–18 | School | Non-School | Total |
| Certificated Administrators | 235 | 240 | 0 | 5 | 5 | |
| Principals | 126 | 125 | -1 | 0 | -1 | |
| Assistant Principals | 137 | 133 | -10 | 5 | -5 | |
| Teachers | 4,952 | 4,856 | -81 | -16 | -96 | |
| Therapists | 45 | 45 | 0 | 0 | 0 | |
| Social Workers | 163 | 161 | -3 | 1 | -2 | |
| Psychologists | 153 | 152 | -1 | 0 | -1 | |
| School Nurses | 64 | 64 | 0 | 0 | 0 | |
| Classified Technical & Administrative | 387 | 404 | 10 | 7 | 17 | |
| Trades Workers & Foremen | 147 | 150 | 0 | 3 | 3 | |
| Clerical/Secretaries | 418 | 400 | -8 | -9 | -17 | |
| School Bookkeepers | 33 | 33 | 0 | 0 | 0 | |
| Children's Health Assistants/Nursing Associates | 285 | 278 | -7 | 0 | -7 | |
| Educational Assistants | 1,383 | 1,286 | -97 | -1 | -98 | |
| Safety Aides | 260 | 270 | 12 | -2 | 10 | |
| Social Worker Assistants | 32 | 31 | -1 | 0 | -1 | |
| Building Services Helpers | 377 | 379 | 0 | 1 | 1 | |
| Engineers/Boiler Attendants | 249 | 247 | 0 | -2 | -2 | |
| Food Service Managers/Trainees | 87 | 91 | 4 | 0 | 4 | |
| Food Service Assistants/Assistants-in-Charge | 379 | 375 | -4 | 0 | -4 | |
| Totals | 9,911 | 9,718 | -187 | -7 | -194 | |

Changes in Debt

Under Chapter 119 of Wisconsin Statutes, MPS is effectively treated as a department of the City of Milwaukee. MPS does not have 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. All issuance of debt, whether short-term or long-term, is approved by the MBSD. The City of Milwaukee continues to maintain high bond ratings from three major agencies. This, along with favorable reviews of the district's financial management, allows for borrowing at competitive rates that minimize debt service costs.

Borrowing is used from time to time to accomplish district objectives in facility maintenance and improvements. In September 2016, the MPS board authorized performance contracts for energy efficiency projects at three schools, pending the issuance of bonds for \$27.0 million. The district is borrowing \$1.5 million under the Qualified

Zone Academy Bonds (QZAB) program to fund school improvements for programs such as culinary training, arts and health education. The related debt service cost will begin to come due in 2017–18. District partners are raising funds for program-related building improvements.

Projects chosen to be financed with debt are considered in light of the MPS Strategic Plan. Chart 1.18 provides a summary for the past ten fiscal years of MPS’s outstanding debt.

Chart 1.18 Outstanding Debt—10 years

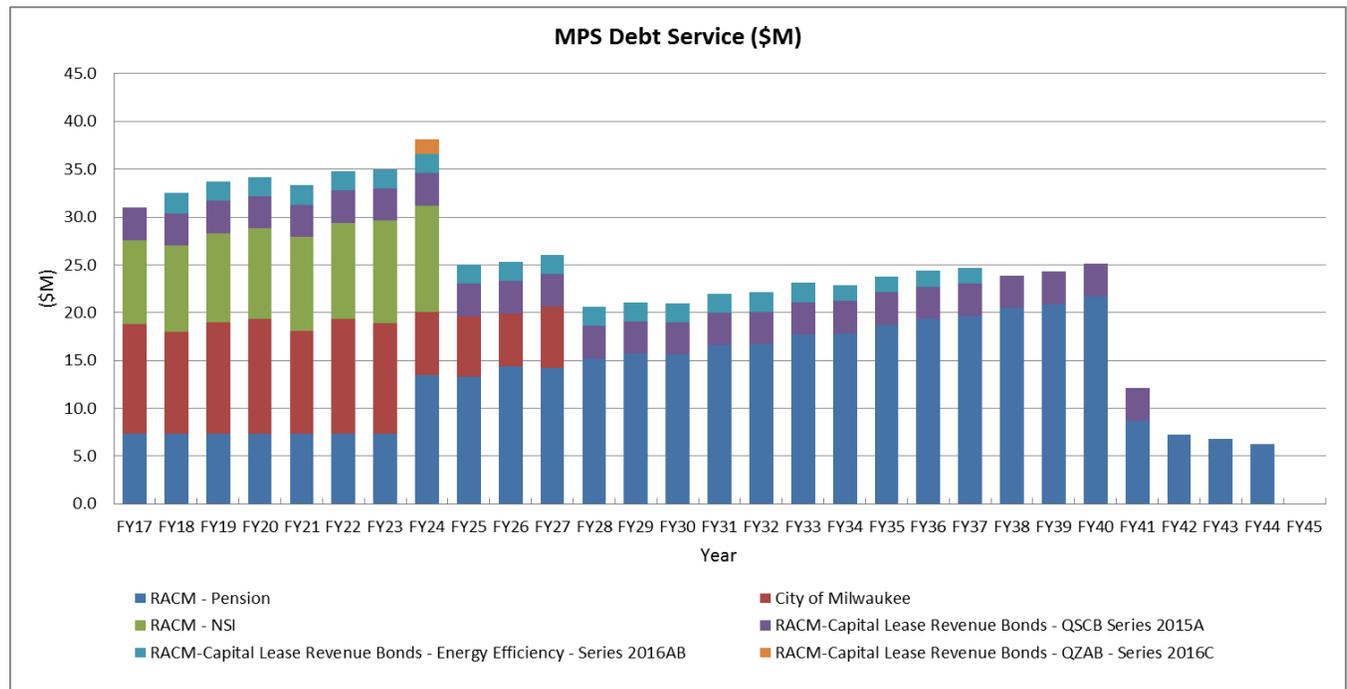
| Fiscal Year | Debt Outstanding* (\$M) |
|-------------|-------------------------|
| 2007 | \$342.0 |
| 2008 | 333.5 |
| 2009 | 328.3 |
| 2010 | 369.3 |
| 2011 | 358.1 |
| 2012 | 349.8 |
| 2013 | 342.2 |
| 2014 | 337.3 |
| 2015 | 367.2 |
| 2016 | 359.3 |

Source: 2016 MPS CAFR

*Net of refunding

Chart 1.19 shows a graphical representation of MPS’s existing debt service requirements to fiscal year 2045. The chart shows how various existing debt obligations will grow or shrink in future years. For example, 2023–24 is the year MPS is scheduled to retire the Redevelopment Authority of the City of Milwaukee Neighborhood Schools Initiative (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.

Chart 1.19 Milwaukee Public Schools Debt Service



Note: “RACM” refers to the Redevelopment Authority of the City of Milwaukee and “NSI” is the Neighborhood Schools Initiative.

Financial Management

The board and administration have adopted policies and procedures that ensure effective and efficient use of the district's financial resources. Authorization, recording and custodial activities are performed in accordance with legal and regulatory requirements and are annually reviewed by an external auditor. MPS also maintains a robust internal audit function that reports directly to the Milwaukee Board of School Directors and is dedicated to performance and financial auditing activities in the district.

Accessing the Budget

Feedback to support the development of the annual budget is gathered throughout the year from school governance councils, district work groups, social media, community meetings, community listening sessions and online surveys.

Online versions of the 2017–18 proposed budget are posted on the district's website under the *MPS > District > About MPS > Offices & Departments > Office of Finance > Financial Planning and Budget Services* path at <http://mpsmke.com/Budget>. For more information about the 2017–18 Superintendent's Proposed Budget, please contact the MPS Office of Finance at (414) 475-8526 or via email at budget@milwaukee.k12.wi.us.

Summary

Stable revenues are not enough to sustain the district's operations as they are today. Modest inflationary pressures require growing revenues. The district also faces more significant inflationary pressure in medical costs and other employee benefits. Planning for 2017–18 has required careful reductions and reorganization efforts to effectively support the strategic plan while maintaining the fiscal health of the district.

2017–18 reflects an overall reduction in spending of \$21.0 million, or 1.8 percent, from the 2016–2017 budget. The reduction is reflecting the fact that the 2016–17 budget includes borrowing in the construction fund which is not included in the proposed budget for 2017–18. Projected revenues in the general operations budget are virtually unchanged at a 0.3 percent increase over 2016–17.

The total proposed budget—which includes grant funding and funding for Milwaukee Recreation—is \$1,176,129,642, down from \$1,197,098,961 in 2016–17.

MPS is proud that the 2017–18 proposed budget continues to support efforts that further sharpen the district's focus on the classroom while moving forward with the Eight Big Ideas that will improve student outcomes. The 2017–18 budget focuses on resources to support our most precious resource—MPS students. In doing so, we place significant emphasis on supporting staff to support students and providing resources for professional development training, opportunities for increased collaboration and access to real-time, actionable data.

Despite continued budget challenges, the proposed budget provides staff and students with every opportunity possible and within our current means to achieve success in their MPS journey. This budget is a plan to win—in partnerships, in operations and most importantly, in academic achievement. We look forward to partnering with the board and the community as we work together for Milwaukee's children.