

Attachment (0) 2017-18 Superintendent's Proposed Budget Transmittal Letter

April 25, 2017

Dear Members of the Milwaukee Board of School Directors,

Presented for board consideration is the Superintendent's Proposed Budget for the Fiscal Year: July 1, 2017 – June 30, 2018, 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 is not the product of individual effort, rather it represents the collective effort of district staff to deliver a responsible financial and operating plan on behalf of Milwaukee Public Schools (MPS). We would like to take to this opportunity to acknowledge and thank all district staff and stakeholders for their contributions.

Generally recognized to be the most significant statement of public policy adopted each year for the school district, 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 four primary purposes of the annual budget, as identified by the Government Finance Officers Association, are:

1. Policy Document: The budget will propose, identify, and seek to clarify public policies and organizational goals.
2. Financial Plan: The budget is the principal mechanism for promoting sound financial management practices regarding the use and distribution of district resources.
3. Operations Guide: The budget will provide a framework for the delivery of services and functional responsibilities of various offices and departments.
4. Communications Device: The budget serves as a means of conveying information to the public about major issues, trends, and decisions affecting the school district.

The proposed budget has been prepared in a manner consistent with this more comprehensive view of budgetary purpose. The budget offers an overview of current, as well as future, issues that impact the financial and operational aspects of the district.

The proposed 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.

Overview

While every budget inherently has challenges and opportunities, developing the proposed 2017–18 budget posed a greater set of difficulties. Currently, the state is still developing its biennial budget. A new administration in Washington, D.C. is also setting its priorities. Additionally, healthcare costs continue to grow as revenues stay flat. In order to maintain our commitment to our students, families, staff and the greater community, we were challenged not only to deliver a balanced budget, but to rethink and redesign our school support structure to enhance the delivery of quality instruction.

The proposed budget is a balanced budget, wherein projected spending in the School Operations Fund does not exceed projected revenues. This required careful fiscal planning to overcome the structural deficit that existed when the budget process began. The deficit is a result of stagnant revenues clashing with inflationary pressures. Variable costs such as utilities and transportation, and other operating expenses would require revenue increases that recognize the operating realities of school districts. In addition to modest inflation, MPS faces a six percent increase in healthcare costs.

Because the state controls the vast majority of district revenues, the administration can only balance the budget by holding back on spending in areas we can control. Under these circumstances, we believe the proposed budget maximizes the district's ability to make progress on student achievement, family and community engagement, and efficient operations.

MPS is laser-focused and aligning our work to the district's strategic goals and operational plan. The budget reflects our commitment to improving outcomes for our students, including reorganizing to improve staff and student supports; aligning our cost structure to reinforce those capabilities; and is reorganizing to enable improved teaching and learning. All offices are participating in this reorganization which will support efficiency and effectiveness by eliminating overlapping roles, aligning staff skills with their strengths and district needs and reducing unneeded levels of management within functional groups. One result of restructuring central services within the limited resources available is the reduction of positions. While some are vacant positions, a small number of layoffs will likely result from the proposed reorganization.

Budget Summary

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 board.

The district, as required under Government Accounting Standards Board (GASB) Statement Number 34, utilizes various fund types to report the financial activity for its operating units. The five funds used by MPS include the **School Operations, School Nutrition Services, Construction, Extension and Categorically**

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Aided Programs funds. Within these funds, expenses are budgeted and recorded in schools, departments and other MPS entities.

The total proposed budget for 2017–18 is \$1,176,129,642, down from \$1,197,098,961 in 2016–17; this includes grant funding and funding for Milwaukee Recreation. The overall reduction in projected revenues is \$21.0 million, or 1.8 percent, from the 2016–17 budget.

As seen in the revenue summary chart below, the reduction reflects the fact that the 2016–17 budget includes borrowing in the construction fund which is not included in the proposed budget for 2017–18.

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%

Projected revenues in the general operations budget are virtually unchanged at a 0.3 percent increase over 2016–17. While enrollment for the district is stabilizing, the state revenue limit formula only recognizes this over time, especially since the base per-pupil amount is not adjusted in the governor's proposed biennial budget for 2017–19. This has played a major role in the budgeting process. With an overall change of less than one half percent in the district's operating fund, difficult choices were made to provide services to children without eroding the district's fund balance.

On the spending side, the expenditures by object chart demonstrates that MPS's primary cost remains employee compensation.

Summary of All Funds - Expenditures by Object (\$M)					
Object	2014-15	2015-16	2016-17	2017-18	Inc / (Dec)
	F.A.	F.A.	F.A.	P.B.	
Salaries	\$491.8	\$496.2	\$487.5	\$473.5	(\$14.0)
Employee Benefits	277.2	242.5	249.40	257.1	7.7
Other Wages	27.5	26.5	30.30	28.8	(1.5)
Purchased Services	287.3	319.6	342.70	298.4	(44.3)
Supplies	62.6	71.1	73.30	62.5	(10.8)
Debt Service	27.0	29.8	31.1	32.8	1.7
Capital Expenses	10.9	3.2	7.7	4.8	(2.9)
Other Expenditures	(13.9)	(21.6)	(24.90)	18.2	43.1
Total	\$1,170.4	\$1,167.4	\$1,197.1	\$1,176.1	(\$21.0)

Budget Highlights

The 2017–18 budget is driven by our core beliefs which are led by the commitment that students come first. Wherever students are learning is the most important place in the district. Educators and staff will

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promote high expectations that provide the foundation for student academic success. The involvement of families to improve student achievement is an integral part of a child's academic success and future.

We will promote leadership that uses child-driven, data-informed decision-making, and develop the high quality educators who are key to student achievement. We will continue to pursue quality community partnerships and increased operational and financial efficiencies to support learning opportunities for our students.

Central Service reorganization

- Realign services in the offices of School Administration, Academics, and Innovation & Information to provide greater support to schools
- Create a new Transformation Network in the Office of Innovation & Information with eight school zones designed to improve academics and school performance
- Design new regional service hubs to transform and improve teaching and learning
- Maintain a regional cross-functional team lead by each regional superintendent to support operational effectiveness in schools and to work closely with school-based parent coordinators
- Use an integrated business process management system to better manage and automate functions related to financial services and human resources
- Support the new Department of Black & Latino Male Achievement to improve outcomes for Black and Latino males

School-based support

- Designate at least one full-time school support teacher at each school
- Assign six deans of students to the six comprehensive middle schools to focus on improving school climate
- Support a school portfolio plan to increase high-performing, in-demand programs

Workforce reduction

- Reduce 7.1 FTE non-school positions due to flat or decreasing revenues
- Reduce 187.0 FTE school based positions due to lower allocations and increased cost of staff.

Note: Due to vacancy and turnover, the number of layoffs resulting from position reductions will be minimal.

To accomplish a balanced budget, the proposal defers commitments to the following:

- Initiatives that show promise for moving the district forward, such as development of a virtual school
- Expand charter schools
- Restore the construction fund levy to \$10 million or more
- Employee raises

Another factor to consider is the financial impact of the newly adopted early retirement window (ERW), which is not known.

Budget Constraints and Fall Adjustments

It is more important than ever for us to prioritize our spending toward the outcomes we have collectively identified as critical, using the voices of our stakeholders and our strategic plan to determine where and how we spend public dollars in service of students.

District planning, given dependence on the state's biennial budget process and other mandates, is challenging. 2017–18 is the first year of the state's 2017–19 budget and revenue estimates are subject to the legislative process which will not conclude before June.

For 2017–18, revenue estimates for major funding sources reflect the governor's proposed budget. The district will adjust the entire budget in the fall after the state has adopted the biennial budget, enrollment is known, the impacts of the ERW are clearer, and updated estimates of costs or revenues can be incorporated.

Strategic Planning and Community Engagement

Education priorities drive the 2017–18 budget and MPS budget decisions are based on what is best for students. To improve student outcomes and to address issues of inequity in our district, MPS engaged in a multi-year strategic planning and implementation process. This strategic planning is anchored in our core beliefs of which the most important is that students come first. These strategic planning efforts have already produced important results.

The class of 2016 earned over \$51.0 million in scholarships. MPS has expanded successful programs and increased student enrollment. More students are participating in Advanced Placement and International Baccalaureate classes with 21 percent of high school students taking college-level classes. 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 exceed expectations.

We are extremely proud of these achievements and in 2017–18 we will continue to aggressively pursue progress and full implementation of the strategic plan. To achieve the outcomes linked to the Eight Big Ideas, we will implement our initiatives with greater fidelity and more rigor during the 2017–18 school year and will embed equity throughout all lines of effort.

MPS is an integral part of the city 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. MPS is fortunate to partner with many dynamic businesses, organizations and foundations that help improve student achievement, engage our families and help develop staff. We continue to pursue partnerships that positively affect learning outcomes at our schools.

Planning is under way for our **Year of the Arts** celebration which will commence at the start of the 2017–18 school year. This MPS and Cre8MKE collaborative campaign will raise awareness of, reflect upon, draw connections to and build support for arts education assets and resources in MPS. 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 citywide student/family passport

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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.

MPS C.A.R.E.S. provides resources to meet a variety of community needs, including but not limited to creating safe spaces for youth, providing opportunities for residents to inform district decisions, mobilizing MPS employees to volunteer and addressing community-wide emergencies.

M³ is a partnership among Milwaukee's three largest public educators, MPS, Milwaukee Area Technical College and the University of Wisconsin–Milwaukee, which work together to increase the retention, graduation and career success of all students from K–12 through postsecondary education. **M³** will create a roadmap that leads to a seamless transition from high school to higher education and careers by marshalling the resources of these three education entities to positively impact Milwaukee.

Summary

We have crafted the 2017–18 proposed budget with the goal of creating every opportunity possible to support student success. Owing in large part to the financial management policies and practices implemented over the past several years, the district has been able to effectively negotiate the challenges of flat or reduced state funding and stricter levy limits. By most measures, the overall fiscal well-being of the district is good. Preparation of the proposed 2017–18 budget is based on a continuation of the best practice financial management principles that have served the district well for the past several years and that will hopefully continue to do so in the future.

Best,



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



Gerald Pace, J.D.
Chief Financial Officer



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

Milwaukee Public Schools

Wisconsin

For the Fiscal Year Beginning

July 1, 2016

A handwritten signature in black ink, which appears to read 'Jeffrey R. Egan', is positioned above the title of the Executive Director.

Executive Director

Reader's Guide to the Budget

The Milwaukee Public Schools (MPS) budget is intended to serve as a policy document, operating guide and financial plan for the fiscal year. The budget also serves 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.

The purpose of this guide is to familiarize the reader of this document with the general layout of the budget. The MPS 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 a Glossary.

The following is a brief description of the information included in each section of this document.

Transmittal Letter

The Transmittal Letter provides an overview of the superintendent's thoughts and the process behind the budget for MPS. A guide to using the budget document is provided to familiarize the reader of the document with the general layout of the budget.

Budget-in-Brief

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.

Topics covered include:

- MPS's mission and vision statements and core beliefs
- Allocation of human and financial resources to achieve goals and objectives
- Revenues and expenditures for all funds
- Trends and forecasts

Organizational Section

The Organizational Section of the budget includes information on the school district, the City of Milwaukee, the Milwaukee Board of School Directors, the superintendent and administrative officers. The district's structure and organization, purpose, goals and strategic objectives are also described.

Topics covered include:

- MPS' organizational charts for the entire entity, including the Board of Directors.
- Eight Big Ideas operational plan
- District budget development

Financial Section

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

Topics covered include:

- Keys to understanding the financial environment and plans of MPS
- District revenue and expenditure overview
- Short-term and long-term borrowing
- Debt capacity and capital assets

Schools

The Schools subsection of the budget describes various types of schools, school programs, centrally supported programs and staffing, student enrollment and its relationship to school funding and detailed information for each school.

Topics covered include:

- School accounts allocation methodology
- Individual school budget development
- Centralized school programs and supplements
- Snapshots including school information and budget highlights for every MPS traditional, instrumentality charter and alternative school

Central Services

The Central Services subsection of the budget provides information on MPS administrative offices and departments, including major initiatives and goals, staffing changes and budget summaries.

Topics covered include:

- Central Services budget development
- Snapshots including organizational and financial information for MPS administrative offices, departments and divisions

Line Items

The Line Items subsection of the budget provides detailed information of expenditures for 2017-18 with reference data from current and prior years.

Informational Section

The Informational Section of the budget provides detailed information as a context for understanding the information presented in the previous sections. This information is supplemental and valuable to understanding the environment in which MPS operates as a school district.

City Profile

The City Profile subsection of the budget describes Milwaukee's government structure, industry, populations and financial information.

Topics covered include:

- Government structure
- Statistical information regarding population, average household income, poverty and education
- Major industries, healthcare, utilities

MPS Profile

The MPS Profile subsection of the budget describes student demographics, student achievement and strategies to address district improvement.

Topics covered include:

- Student demographic, attendance and enrollment data, graduation rates
- Student achievement data
- MPS staff distribution

Glossary

The glossary provides an alphabetical list of terms used throughout the budget development process during stakeholder meetings and may be referenced directly or indirectly in the budget document.

- Acronyms and abbreviations used are defined in the budget document and located in the glossary
- The glossary is written in non-technical language

Accessing the documents online

The 2017–18 Superintendent's Proposed Budget is on the MPS website, www.mpsmke.com/budget, as one complete document ("2017–18 Superintendent's Proposed Budget"), and each individual section is also posted for quick reference. The documents listed will open in PDF format. Each document has a comprehensive table of contents that is "interactive," meaning you can click on an item in the table of contents, and it will take you to the page where the information is located.