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Proposed MPS budget uses benefit savings to avoid cuts in school operations

But flat revenues and health care cost pressures create big challenges for future

A budget brief released today by the Milwaukee-based Public Policy Forum finds that the Milwaukee Public Schools continue to benefit from huge health care savings enacted both before and after the adoption of Wisconsin Act 10, allowing the Superintendent's proposed 2015 budget to avoid cuts in teaching positions and make modest investments in new school-based initiatives.

"MPS' proposed 2015 budget is largely a 'good news' document that reflects the district's astonishing success in reducing fringe benefit costs and that avoids staffing reductions and other cuts in school operations that have detracted from educational quality in the past," says the report. "In fact, despite the district's stagnant revenue base, there also is room to invest in quality improvements in areas like the arts and teacher development."

Despite that encouraging prognosis for 2015, the budget brief also warns of substantial fiscal challenges in the "out years" that point to underlying structural difficulties. The brief notes that those challenges have not improved noticeably from those cited in the Forum's comprehensive, award-winning analysis of the district's fiscal condition that was released in December 2012.

“Simply put, MPS lacks the wherewithal to keep up even with inflationary increases in personnel costs without enrollment gains or greater support from the state – two variables that are mostly beyond its control,” says the report. “While redesigned health care benefits have generated substantial near-term savings and allowed the district to alleviate inflationary pressures over the longer term, those pressures still remain and must be addressed in the context of an extremely uncertain revenue picture.”

In addition to examining the impacts of health care and pension changes on MPS’ short-term and long-term finances, the 2015 MPS budget brief examines other major expenditure and revenue items in the proposed budget, reviews overall expenditure and revenue trends, and delves into several new initiatives proposed by the Superintendent.

Overall, the brief concludes that despite another year of relative budget calm, a series of “unsettling” questions remains.

“A key question is whether MPS administrators and school board directors can continue to identify ways to curb fringe benefit spending without sacrificing teacher quality. The district’s five-year projections show that projected inflationary health care increases are likely to eat up any projected increases in revenue, thus precluding the district’s ability to increase teacher salaries or pursue strategies to improve competitiveness and boost enrollment. Finding ways to limit those increases – or somehow enhance enrollment – would appear to be imperative both for future financial stability and quality improvement.”

The budget brief can be downloaded from the Forum’s website: www.publicpolicyforum.org. The brief is the first in an annual series that will complement the Forum’s annual briefs on the City of Milwaukee and Milwaukee County budgets, which are released in October.

Milwaukee-based Public Policy Forum, established in 1913 as a local government watchdog, is a nonpartisan, nonprofit organization dedicated to enhancing the effectiveness of government and the development of southeastern Wisconsin through objective research of public policy issues.