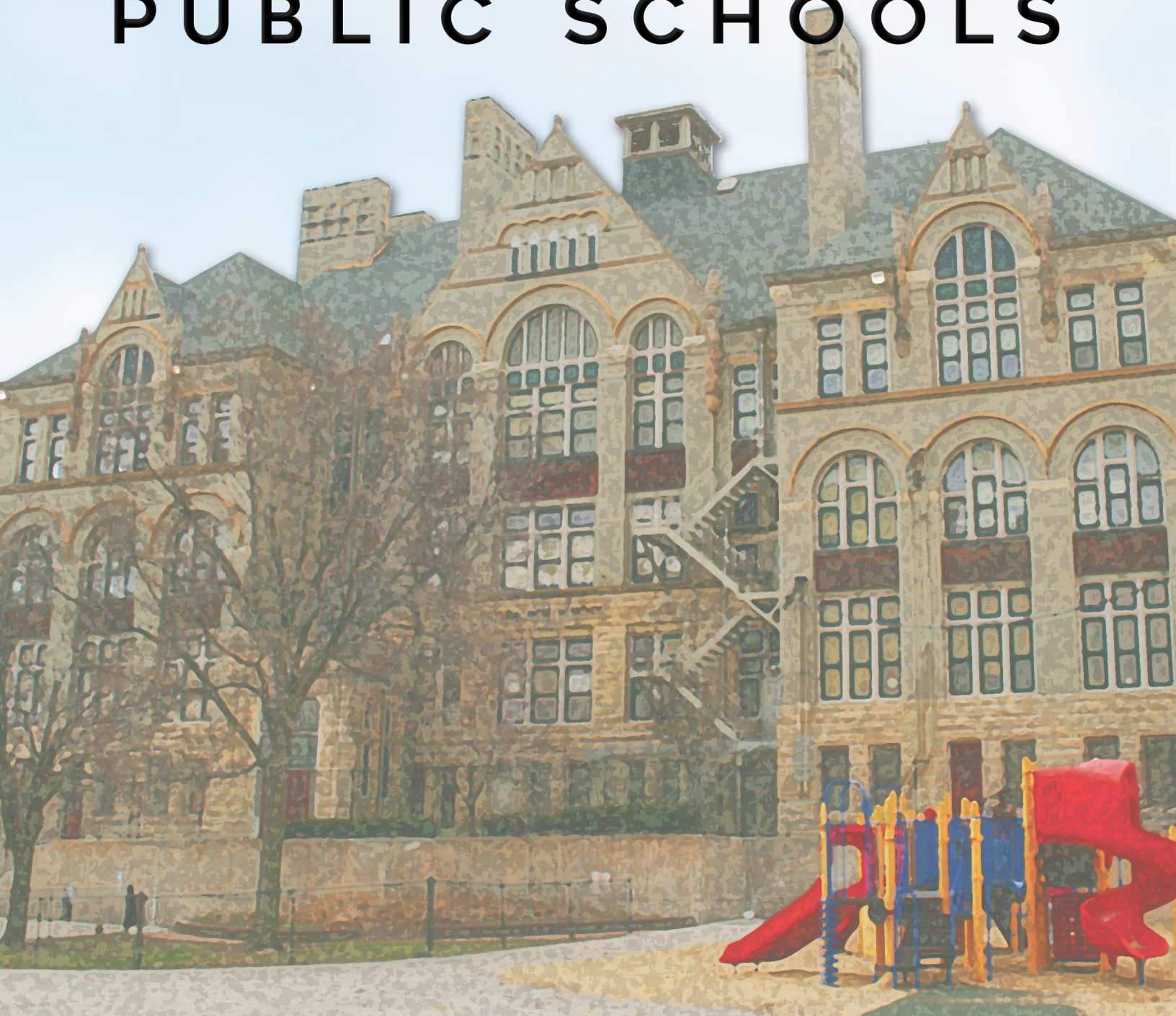


BUDGET BRIEF:

*2027 Proposed Budget*

# MILWAUKEE PUBLIC SCHOOLS



WISCONSIN  
**POLICY FORUM**



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*2027 Proposed Budget  
Milwaukee Public Schools*

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# TABLE OF CONTENTS

Introduction .....	2
Budget Overview .....	4
Overall Revenues .....	4
Property Taxes and State Aids .....	6
Expenditures.....	8
Summary .....	10
Keys to Understanding the 2027 Proposed Budget.....	12
Key #1: MPS Seeks to Address Weak Financial Reporting and Controls.....	12
Key #2: Some Position Cuts, But Overall Increase in FTEs .....	14
Key #3: Lead Stabilization Work Ending; Future Capital Resources in Question .....	16
Key #4: Short-Term Gains, Long-Term Loss from Exiting Charter Schools .....	18
Key #5: Potential Budget Gap Looms in Coming Years.....	20
Conclusion.....	24

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This analysis of the Milwaukee Public Schools’ 2027 proposed budget refers to the budget originally presented to the Milwaukee Board of School Directors by the Milwaukee Public Schools superintendent on May 7, 2026. It does not include consideration of amendments proposed by school members since then, nor does it fully reflect the revised budget book published on May 22, 2026 unless otherwise indicated. The original proposal can be found [here](#). The republished revised proposal can be found [here](#).

The budget covers the school district’s 2027 fiscal year, which takes effect on July 1, 2026, and runs through June 30, 2027. It should be noted that while the School Board will adopt a tentative budget later this month and the fiscal year will begin in July, the budget will be revisited by the superintendent and board in the fall after the district receives final aid amounts from the State of Wisconsin. A final property tax levy amount for 2027 also will be established at that time.



# INTRODUCTION

This year marks the second budget season that Milwaukee Public Schools (MPS) has navigated under superintendent Brenda Cassellius, who joined the district in March 2025. In taking over Wisconsin's largest school district, she walked into a thicket of thorny issues.

First, with regard to students, not only were academic results alarmingly low – as they have been for years – but a new normal was threatening to take hold in which almost half (46.2%) of the district's students missed 10% or more of school days. Second, with regard to the district's operations, MPS was coping with financial controversy, criticism from instructional and operational audits ordered by the governor as a result, and the recent discovery of lead paint found in schools. All this came on top of long-term structural concerns including state legislative decisions that have hamstrung Wisconsin districts' ability to raise enough revenue to match the growth in inflation as well as aging school buildings and declining student enrollment that have left MPS with a slow-moving financial and facilities crisis.

The proposed 2026-27 budget (hereafter referred to as 2027) grapples with these operational challenges and others, including the recent discovery of a nearly \$46 million negative balance in the district's main fund as of June 30, 2025. MPS is seeking to bring the fund back to a positive balance in the current school year through some painful position and contractual cuts.

The district would also invest in the 2027 budget, making use of the savings from cuts, the third installment of funds authorized through its successful 2024 referendum, and a limited-term benefit occasioned by the departure of several charter schools from the district. The investments include a net addition of over 550 positions (according to the revised budget book)<sup>1</sup> and a 2.63% cost-of-living adjustment across the board for employees, phased in via two increases over the course of the year.

The superintendent has made a case for adding the new classroom positions, citing their potential benefits for staff, students, and families, with a hope of ultimately strengthening the district's academics, enrollment, finances, and morale. Yet, the position and salary increases also add to MPS' sobering fiscal outlook, which is already causing material strain in the proposed 2027 budget and promises to only worsen in the coming years unless the district's revenue or expenditure picture changes quite significantly.

In the pages that follow, we offer greater detail on the district's financial position – how it came to be, what the superintendent proposes for 2027, and what lies ahead – and analyze several key factors worth particular attention as the MPS administration, the Milwaukee Board of School Directors, and taxpayers consider this proposed budget. Overall, our aim matches that of previous years: to provide an independent assessment of MPS' budget. We hope our work will encourage informed deliberations and shed greater light on the overall fiscal state of a school district that plays a crucial role in serving a large number of low-income students in our community and state.

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<sup>1</sup> Note that this reference to positions added is based on the revised MPS budget book, rather than the originally proposed MPS budget, which the Forum used for the majority of its analysis. The revised budget book contains a number of material differences, including the total number of additional positions proposed for 2027 over the final adopted 2026 budget. See also the previous page and Key #2.



# BUDGET OVERVIEW

The proposed 2027 budget shows the tightening vise that grips district finances and will put growing pressure on students, staff, and taxpayers. The district is resolving a nearly \$46 million negative balance in its main fund in the 2026 and 2027 budgets, and 2028 promises to be the start of even more difficult years.

Readers should note that MPS is now presenting the budget using the Wisconsin Department of Public Instruction's chart of accounts, which in turn alters our brief's typical presentation of its finances (see Key #1). These changes should ultimately be to the good, as they bring the district into alignment with state systems. Even as the transition proceeds, however, this year's budget documents revive some concerns that we have raised previously and which are not all caused by the changes to the accounting system. Namely, a number of key decisions and swings in major spending and revenue categories are not addressed in the text that supports many of the tables in the proposed budget, limiting some detailed budgetary analysis. Further, information on the district's fund balances is not available, nor are the final adopted budgets from 2024 through 2026 available on the school district's website.

Most notably, the number of substantive changes between the originally proposed budget (which we analyze here) and the revised budget book (on which school board members will be voting) was unusually large. These changes affect the number of additional positions proposed (a 2.4% increase in the original proposal, compared to a 6.0% increase in the revised proposal), but do not generally affect overall budgeted revenues or expenditures. District officials say that these changes are in keeping with feedback they received during the budget process. However, in light of past problems with MPS' financial controls, as well as the district's current financial challenges, it is worth noting this large change, and it would be helpful if the district could provide more information. And, while the effort taken to revise the budget book is laudable, the school board and the public now have less time than is typical to digest these material updates.

On the other hand, the documents positively continue last year's shift toward greater clarity in its attempt to consolidate a complicated topic into a more plainspoken document of manageable length, and the district now has available audited financial statements through 2025. As MPS continues managing the fallout from past years' fiscal practices and staffing issues, we hope to see these improvements continue.

With these notes in mind, we here provide a synopsis of the major revenue and expenditure items and moves that characterize MPS' originally proposed 2027 budget. More detailed analysis of key budget items is provided in later sections.

## Overall Revenues

The 2027 proposed budget includes \$1.6 billion in revenues, which would be a decrease of 0.5%, or \$8.7 million, from 2026. The drop would be largely due to a decrease of 78.8%, or \$60 million, in anticipated revenues for community service, which largely funds Milwaukee Recreation, and a 99.8%, or \$52 million, reduction in revenues for the district's long-term capital trust fund. The decrease would have been larger if not for \$47 million in new revenues from the 2024 referendum,



which included a four-year phase-in plan allowing the district to exceed state revenue limits by \$252 million.<sup>2</sup> A further \$20.8 million is anticipated from a \$325 per pupil increase in the state limits, which cap district revenues from state general school aid and local property taxes.

As shown in Table 1, the combination of these factors would allow for increases to the district’s general fund and special education fund revenues. Together, those funds are similar to what was formerly called the district’s school operations fund and can be thought of as the district’s core operating budget, accounting for 93.4% of its total revenues. Under the proposal, revenues in these two funds would total \$1.51 billion, an increase of 7.4%, or \$103.8 million.<sup>3</sup>

The district’s **general fund** (its main set of accounts) would increase 5.7%, or \$73.5 million. The **special education fund** would receive a sizeable 26.1% (\$30.2 million) increase, from \$115.8 million in 2026 to \$146.0 million in 2027.<sup>4</sup> That increase is largely explained by an anticipated \$24 million in new state aid for special education in addition to planned transfers from the general fund to the special education fund, which is common practice among Wisconsin school districts as they seek to provide all legally required services for students with diagnosed disabilities without full reimbursement from the state or federal government. Budget officials anticipate transferring \$158 million of general fund revenues to the special education fund in 2027 in order to full fund the cost of those services.

**Table 1: MPS Revenues by Fund in Millions by Year<sup>5</sup>**

Fund	2026 Budgeted	2027 Proposed	2026 to 2027 % change
General Fund	\$1,289.1	\$1,362.7	5.7%
Special Education Fund	\$115.8	\$146.0	26.1%
Food Service	\$62.9	\$60.6	-3.7%
Debt Service	\$27.8	\$29.6	6.5%
Community Service	\$76.2	\$16.1	-78.9%
Long-Term Capital Improvement Trust	\$52.1	\$00.1	-99.8%
<b>Total</b>	<b>\$1,623.9</b>	<b>\$1,615.1</b>	<b>-0.5%</b>

Source: MPS 2027 proposed budget

The **long-term capital improvement trust fund** was created in 2015 to hold funds for capital spending such as the lead stabilization efforts that began during the 2025-26 school year. The budget would assign only about \$100,000 in revenues toward this fund, down from the \$52.1 million last year that

<sup>2</sup> New revenues from the 2024 referendum included \$140 million in 2025, an additional \$51 million in 2026, \$47 million in 2027, and \$14 million in 2028.

<sup>3</sup> The 2027 proposed budget does not include any additional revenues from the so-called “blockbuster bipartisan deal” struck by Gov. Evers, State Assembly Speaker Vos, and State Senate Majority Leader LeMahieu. That deal, which failed to pass the state Senate and therefore did not become law, would have yielded an additional \$9.1 million in special education revenue for MPS in 2026 and an additional \$25.4 million in 2027, as [estimated](#) by the Legislative Fiscal Bureau. It also would have provided MPS with \$25.6 million more in general school aids, which would not have amounted to additional revenue but would have allowed for a lower property tax levy.

<sup>4</sup> Special education aid – which partially reimburses districts for costs incurred to meet the unique needs of students with disabilities and comply with state and federal law – has been a particular point of contention for MPS and other Wisconsin districts, which have watched the amount of aid fail to keep up with rising costs over the years despite recent increases.

<sup>5</sup> As discussed previously, this table and all other references to the proposed MPS budget are (unless otherwise indicated) to the original proposal. The revised budget book contains a number of material differences, including \$3 million additional in Community Service (Fund 80) revenues and expenditures, which are not reflected in this table or the associated text.



was assigned in part to help address lead stabilization efforts. However, \$6.2 million in new spending is still planned to address district needs and will be financed with the balance in this fund. Key #3 details this further.

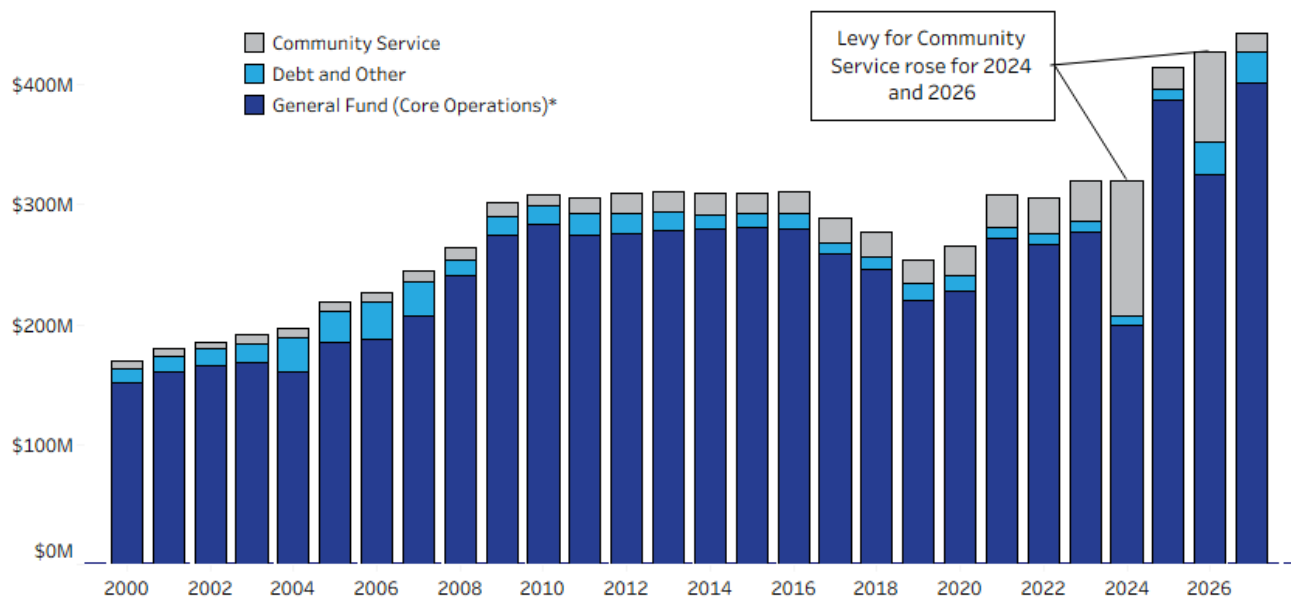
Revenues in the district’s **community service fund** would drop from \$76.2 million in the 2026 adopted budget to \$16.1 million in the 2027 proposed budget. As we will discuss, the budget would lower the district’s tax levy within that fund to limit the increase in its overall levy. The balance built up in that fund in 2026 would be used to pay for the remaining spending.

## Property Taxes and State Aids

The total proposed property tax levy of \$442.6 million is a \$15.6 million, or 3.6%, increase from the \$427.0 million levied in 2026. The proposed mill rate is \$9.86.<sup>6</sup>

As shown in Figure 1, levy revenues are shared across three funds: the general fund for core operations; community service activities, which largely comprise Milwaukee Recreation; and a fund for making debt payments. The biggest year-over-year changes are a \$76.2 million increase of property tax dollars assigned to the general fund, and a \$59.6 million decrease to the portion of the levy funding community services. Levy spent on debt service would fall by \$1 million (3.8%), from \$27.3 million in 2026 to \$26.3 million in 2027.

**Figure 1: Levy Would Rise and Shift Tax from Community Service Back to Core Operations**  
Milwaukee Public Schools property tax levy by fund, amount in nominal dollars, and year (2027 is proposed)



Sources: Wisconsin Department of Public Instruction and Milwaukee Public Schools. \*Includes chargeback payments.

Readers may ask why the district has made such large yearly shifts in its general and community service fund levies since 2023. In essence, the amount of levy allowed reflects changes in both the district’s state-imposed revenue limit as well as state general school aids, which have fluctuated

<sup>6</sup> The proposed mill rate was not published in the original 2027 proposal but was included in the revised budget book.



wildly over the last several years in part because of past misstatements in the district's financial statements (see Key #1). State revenue limits are determined by a formula that cap the combined revenue school districts can raise from local property taxes and state general school aids.

In both 2024 and again in 2026, the amount that MPS could levy for its main operations fell substantially. Rather than reducing the overall levy for taxpayers in those years, officials opted to instead raise the community service levy beyond what was needed for the current year's operations in order to build up the reserves in that fund.<sup>7</sup> The district lowered the community service levy in 2025 and proposes doing so again in 2027, funding Milwaukee Recreation in part with the outstanding balance in order to limit the overall levy increase. The district is also using reserves it had previously built up to construct a recreation community center at the former Browning School, which is anticipated to be completed in the spring of 2027.

For now, the proposed budget would include \$1.13 billion in funds that are limited by state revenue limits, which would be a combined increase of \$70.6 million, or 6.7%. The district is currently projecting that the main form of general school aid (known as equalization aid) will fall by \$10.3 million to \$681.8 million in 2027, which means the district would need to raise its property tax by that amount just to keep the same amount of revenue. The current aid figures are just estimates – actual totals will not be known until the fall. At that point, the true revenue limit and aids totals for MPS will be calculated and an adjusted budget and levy will be proposed to the district's board of directors.

The revenue limit total for 2027 would also include \$13.8 million in computer and personal property aid (\$13.8 million), which compensates school districts for exemptions to the property tax previously created by state legislation; and integration aid (\$5.8 million), which provides financial incentives for voluntary student transfers between schools with high populations of students of color and those with lower ones.

The district's enrollment estimates are also worth noting here, as enrollment plays an important role in the state's revenue limit and aid calculations for school districts. The budget estimates MPS' total September headcount enrollment will decline in 2027 by 4,204 students, or 6.5%, dropping from 64,594 to 60,390. The majority of the decline is due to the departure of nine schools from MPS governance, at a projected loss of 3,756 students. Even so, the population decline of 448 students from traditional MPS schools follows many years of declines. Across all school types, the student population was 71,826 in 2021, making the projected 2027 enrollment a loss of 15.9% since then. These declines are likely to continue for MPS, both because fewer school-age children are in Milwaukee and because more students are enrolling in independent charter and private choice programs in the city.

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<sup>7</sup> The 2024 budget decision to divert more levy toward community service was finalized in the fall of 2023, before the 2024 referendum was approved.



MPS leaders over the last several years have cited the failure of the district’s revenue limits to grow in line with inflation as a key cause of its structural deficit and a key impediment to its ability to serve students at desired and appropriate levels. These constraints are due both to the state increases in revenue limits lagging inflation – see [this Forum budget brief](#) for more – as well as the loss in MPS enrollment.

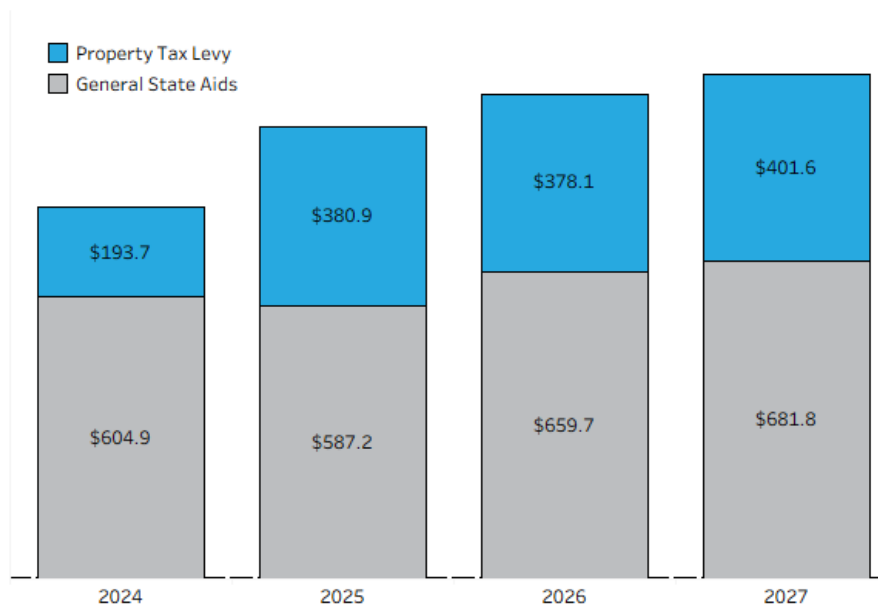
However, as shown in Figure 2 the approval of the 2024 referendum has given MPS substantial growth in funding above what would have otherwise been available due to state revenue caps. The cushion provided by those additional revenues has been critical as the district seeks to unwind the effects of its overspending in 2025. Nor will fixing the current trouble be enough – the challenges will likely intensify in 2028, with the effects of enrollment loss ramping up as the benefits from the referendum ramp down and amount to just \$14 million in additional revenue. Left unchecked, spending is projected to outpace revenues by \$63.7 million by 2029. The specter of this fiscal cliff and potential solutions are outlined in Key #5.

## Expenditures

Table 2 on the next page shows how the proposed budget’s \$26.2 million decrease (-1.6%) in total expenditures is allocated across broad budget categories. While salary and wage expenditures are budgeted to rise by \$56.2 million (8.2%), and benefits by \$40.1 million (11.2%), those are more than offset by a \$130.2 million (-29.2%) decrease in purchased services. The sizable decrease in payments to vendors reflects in large part the district’s loss of what are known as non-instrumentality charters, which are schools chartered by the district but run independently. The Carmen Schools of Science and Technology and Milwaukee College Prep charter schools have left the MPS umbrella and will now be chartered by the University of Wisconsin-Milwaukee. That is a short-term benefit to the

district, since it can immediately halt its payments to the charter schools, which amounted to a pass-through of state funding to the charters. However, it will be a long-term loss as the district loses the associated revenues, including certain funds that MPS had been retaining (see Key #4).

**Figure 2: Referendum Provided Boost to Core MPS Revenues**  
Property taxes and general school aids in millions by year



Source: MPS 2027 proposed budget



**Table 2: MPS Expenditures by Category in Millions by Year**

Expenditures	2026 Budgeted	2027 Proposed	2026 to 2027 Change
Salaries & Other Wages	\$683.8	\$740.0	\$56.2
Benefits	\$357.4	\$397.5	\$40.1
Purchased Services	\$446.0	\$315.8	(\$130.2)
Supplies	\$90.6	\$89.3	(\$1.3)
Equipment	\$7.7	\$6.4	(\$1.3)
Other	\$38.3	\$48.5	\$10.2
<b>Total</b>	<b>\$1,623.8</b>	<b>\$1,597.5</b>	<b>(\$26.3)</b>

Source: MPS 2027 proposed budget

The increase in salaries and wages is due to a net increase of 574.3 new full-time equivalent positions (according to the revised budget book) and a proposed 2.63% cost of living adjustment (COLA) as well as an additional salary step increase for all position types. Current budget documents do not itemize details for the salary steps or whether any increase for salary lanes is proposed, though budget officials separately indicated that the step increases including benefits would cost approximately \$16 million. The proposed COLA follows a 2.95% base wage increase for all staff in 2026, 4.1% in 2025, and 8.0% in 2024, all of which have met the state-set maximum increase allowed based on the rate of inflation. However, it should be noted that, unlike previous years, the district plans to provide the first 1.5% in July 2026 and the final 1.13% in January 2027. The staggered approach has been outlined as a cost-saving measure to partially offset the district's negative general fund balance of \$45.6 million.

Across the proposed increases to salaries, wages, and FTEs, salary and wage expenditures have climbed by \$98.3 million, or 15.3%, when comparing 2025 actual expenditures to the proposed 2027 amount. These increases place fierce pressure on the annual budget given MPS' traditional revenue challenges, and additional raises of this size are unlikely to be sustainable. For their part, district leaders have argued that the funds are necessary in part to implement new student-to-teacher ratios that will lower class sizes. Additionally, the increase seeks to respond to the impacts of inflation as well as compete for teachers. For more, see Key #2.

Meanwhile, the district would see fringe benefit costs grow at a higher rate than in previous years. At \$397.5 million, the proposed budget is \$40.1 million, or 11.2%, higher than the 2026 approved budget. That is more than double the \$18.4 million (5.4%) increase between 2025 actuals and the 2026 proposed budget. Districtwide, approximately \$253 million (63.6%) of the proposed fringe benefit costs for 2027 are attributed to employee and retiree health, dental, and prescription benefits, while expenditures totaling \$79 million (19.9%) are dedicated to pension costs.

A key feature of the 2027 proposal is a decreased reliance on vacant positions to balance the budget – a priority for MPS budget officials that we noted in last year's budget brief. The 2027 budget anticipates \$33.7 million in vacancy savings, which is a \$17.1 million reduction over the \$50.8 million in the final adopted 2026 budget and a \$40.6 million decrease from the \$74.3 million in the final adopted 2025 budget.



Table 3 shows reduced spending planned across all central offices, while school budgets would increase by a collective \$19.9 million (2.3%), and the “districtwide” budget would increase by \$69.7 million, rising from \$60.8 million to \$130.5 million. The “districtwide” line item comprises a number of changes, including a lower vacancy rate assumption, adjustments to wages, stipends, and work week time commitments for certain positions (\$26 million), special education vouchers (\$18 million), funding for textbooks (\$5 million), and unspecified costs associated with smaller items such as a contingency fund transfer to the nutrition fund.

**Table 3: MPS Expenditures on Schools and Offices in Millions by Year<sup>8</sup>**

Expenditures	2026 Budgeted	2027 Proposed	2026 to 2027 % Change
Schools	\$883.5	\$903.4	2.3%
Districtwide	\$60.8	\$130.5	114.6%
Offices	\$678.8	\$563.1	-17.0%
<i>Office of Operations</i>	\$327.2	\$291.0	-11.1%
<i>Office of Academics</i>	\$133.6	\$123.5	-7.6%
<i>Office of Families, Community, &amp; Partnerships</i>	\$105.0	\$61.8	-41.1%
<i>Office of Schools</i>	\$29.3	\$0.0	-100.0%
<i>Office of Human Resources</i>	\$28.7	\$27.6	-3.8%
<i>Office of Finance</i>	\$17.0	\$16.7	-1.8%
<i>Office of Deputy Superintendent</i>	\$0.0	\$6.2	N/A
<i>Other</i>	\$38.0	\$36.3	-4.5%
<b>Total</b>	<b>\$1,623.10</b>	<b>\$1,597.00</b>	<b>-1.6%</b>

Source: MPS 2027 proposed budget

MPS offices and centrally funded school supports would undergo some significant structural and staffing changes, according to the proposed budget. At central office, one of the largest changes is the elimination of the Office of Schools (-\$29.3 million), whose functions are being absorbed by the newly created Office of Deputy Superintendent. Additionally, the Office of Families, Communities, and Partnerships that was set up in 2026 to foster stronger partnerships with external stakeholders will lose approximately 41% of its funding (\$43 million), and the Office of Operations budget is reduced by 17% (\$36.2 million). These are the most sizable changes, though staffing changes and budget decreases are planned for nearly every office.<sup>9</sup>

## Summary

Boosted by a large projected cut in spending on charter schools and strong expected revenue growth in the district’s core operating funds, MPS is making some big moves in its proposed budget for 2027, including addressing the \$45.6 million negative balance identified in 2026 and cutting 263 positions. Despite the cuts, the plan would add on net 574.3 positions (according to the revised budget book) to implement new student-to-staff ratios and would provide teachers and other staff

<sup>8</sup> The “other” line item includes offices with budgets smaller than \$5 million dollars. They are the offices of Accountability and Efficiency (\$2.8 million), Superintendent (\$2.1 million), Communications and Marketing (\$2.5 million), Board Governance (\$1.5 million), and Board of Directors (\$0.4 million). The line item also includes \$27 million for funds passed through to private schools.

<sup>9</sup> It should be noted that while offices include several administrative and operational functions like facilities maintenance, security, human resources, and finance, they also focus on district-wide academic functions including multilingual and multicultural education, college and career readiness, and research and assessment.



with raises while committing with reasonable confidence to balancing the budget by finding \$23.3 million in cost-saving measures. While the district would receive a 0.5% (\$8.7 million) decrease across all revenues, the 7.4% (\$103.8 million) increase to core operating revenues covers for now the increases in staff compensation and overall staffing numbers. The district is also making sorely needed improvements to its financial controls.

However, the 2027 budget would leave the district in a precarious position. In 2028 and beyond, the district would face increasing pressures from its rising staffing costs, falling enrollment, state revenue caps, and the end of its four years of revenue increases from the 2024 referendum. Its two most obvious potential lifelines, state legislation or a new referendum, are far from certain, making a sober analysis a necessity. To that end, we provide an additional review of key budget decisions and the district's structural challenges in the pages that follow, beginning with the source of the 2025 general fund deficit.



# KEYS TO UNDERSTANDING THE 2027 PROPOSED BUDGET

## Key #1: MPS Seeks to Address Weak Financial Reporting and Controls

MPS has dealt with a series of delays and mistakes in its financial statements in recent years as well as 2025 spending that inadvertently exceeded the district's budgeted amounts. These errors and missteps have in turn affected its budget, staff, and students and shown clearly why districts need to be able to accurately track their expenses, revenues, and balances and keep their position and spending levels within targeted amounts.

Starting in 2024, the state lowered aid [payments to the district](#) to make up for previous overpayments caused by errors in the district's financial reporting. The district also had [state aid payments temporarily withheld](#) for not completing its financial audits on time. The mistakes and delays stemmed in part from substantial turnover and vacancies in the district's finance office, an antiquated accounting system at the time, and the district's previously longstanding practice of using a different chart of accounts from the one required by the state of Wisconsin. In essence, that meant the district was keeping two sets of books with different definitions of funds and accounts, adding work and complexity to its accounting.

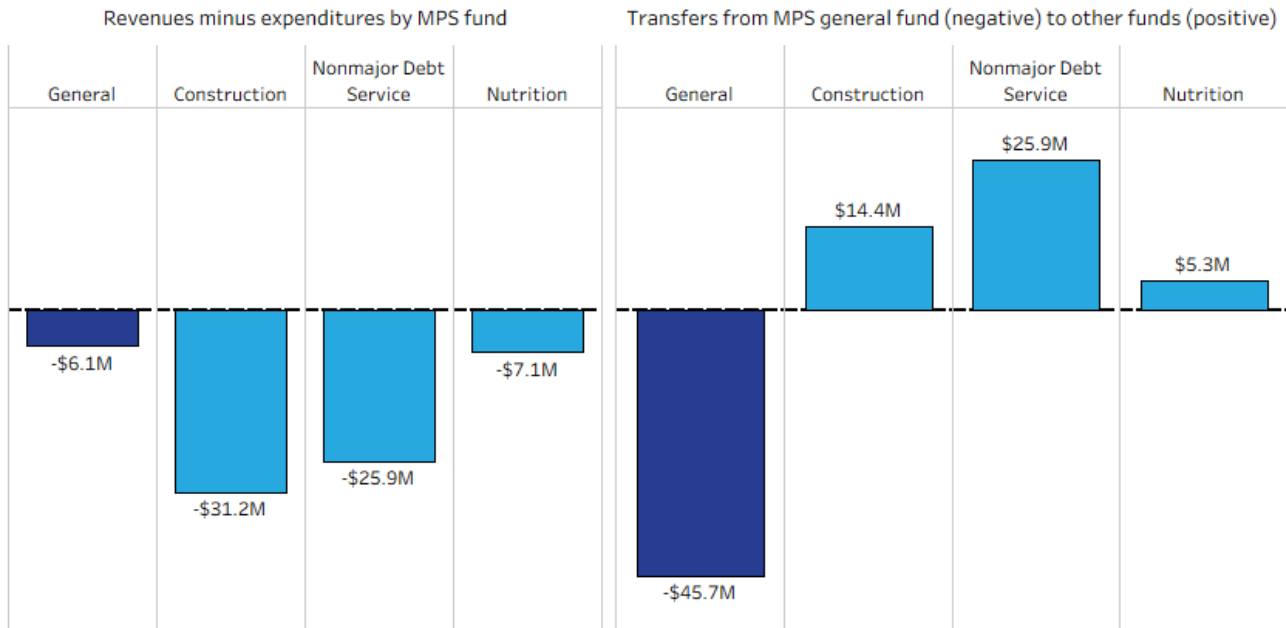
In the wake of these revelations, several top officials left the district, including Superintendent Keith Posley, chief financial officer Martha Kreitzman, and comptroller Alfredo Balmaseda. Since then, Cassellius and the district's new chief financial officer, former city of Milwaukee comptroller Aycha Sawa, have sought to implement the state's corrective action plans for MPS. They have made progress in several areas, including putting in place new accounting systems and fully adopting the state's chart of accounts, with the 2027 budget representing the first such proposal using this new system. MPS also published its [2025 financial statements](#) on time in late January after two years in which they were finished well after the deadline. In January, MPS received its [final delayed state aid payment](#).

Unfortunately, the 2025 financial statements also revealed new problems for the district to address. The district and news media reported MPS had outspent its budget in several areas and faced a negative balance of \$45.6 million in its main fund, and district officials moved forward with hundreds of layoffs to close the deficit. A further review of the district's financial statements adds additional details to this story.

First, as Figure 3 on the next page shows, the audited statements reveal the problem for the 2025 school year was larger than previously understood. The statements show the district spent a total of \$70.4 million more out of four major funds than the funds received in revenue. That included \$6.1 million more in its general fund (the district's main fund, or set of accounts) and \$31.2 million in its construction fund. The overspending reflected legitimate pressures on the district such as the discovery of lead poisoning cases among MPS students that led to emergency spending to remediate peeling and chipping lead paint in district buildings. The district also acknowledged the significant restrictions on certain community service funds that it had previously reported as part of its



**Fig. 3: MPS Overspent in Four Main Funds in 2025; Transferred from General Fund to Assist Other Three Funds**



Source: Milwaukee Public Schools 2025 audited financial statements

unassigned general fund balance (which should properly represent funds available to spend on any lawful purpose).

In addition, the overspending reflected the ongoing effect of vacancies within the MPS finance office and the lack of adequate controls to prevent district officials and staff from spending and hiring beyond their budgeted allotments – safeguards that would typically be considered standard practice for schools and local governments. The untimely completion of previous audits also hampered the district, as officials were making budgetary and expenditure decisions without a clear picture of how much had been spent and how much in remaining fund balances was available to spend.

The district was able to continue to pay its ongoing costs because its [operating funds are pooled](#) with city of Milwaukee funds – an unusual arrangement that is not used by other school districts and cities in Wisconsin. This system appears to have generally worked well over the years, and city of Milwaukee officials so far have not called for changes, but MPS, city, and state officials wish to review it in the future.

In 2025, MPS also transferred \$45.7 million from its general fund to the three other funds, preventing what otherwise would have been shortfalls in the nutrition and nonmajor debt service funds but overstraining the general fund, according to its financial statements. Ultimately, the district’s general fund ended the year with a negative balance of \$45.6 million once its community service programs have been removed, according to district staff. To erase the negative balance, the district cut some contracts and approved cutting 263 positions. See Key #2 below for more details.

Going forward, district officials say they are strengthening their accounting practices and financial controls to avoid painful episodes such as the ones detailed here. Previously, school principals and district human resource staff were able to spend money in excess of the budgeted amounts and add



positions without looping in budget staff, officials say. Going forward, they say the district’s financial system will prevent this from happening and will provide better reporting of actual expenditures compared to budgeted amounts. These are important reforms that, if successful, should help the district to cope with the challenges that lie ahead for its finances and operations.

## Key #2: Some Position Cuts, But Overall Increase in FTEs

With salaries, wages, and benefits making up 71.1% of the district’s proposed budget, it would have been nearly impossible for MPS to address its financial shortfalls without affecting staff. And, indeed, the proposed 2027 budget reflects significant position cuts to staff. At the same time, however, it adds other positions, raising questions about long-term sustainability.

In general, the proposed budget shows cuts to centralized staff – some of whom, such as assistant principals, are embedded in schools – while proposing increases to classroom staff. The increases would be concentrated among teachers and paraprofessionals, who would make up the largest proposed full-time equivalent (FTE) increases from 2026 on a numerical basis: 199.3 additional teacher FTEs (a 4.6% increase) and 430.9 additional paraprofessional FTEs (a 31.5% increase). The largest increases on a percentage basis would be for the paraprofessionals and a 25.1% increase for children’s health assistants (76.4 additional FTEs). The largest decrease would be among assistant principals, a drop of 53.0 FTEs or 35.6%.

The net result of these ups and downs would be a 6.0% increase in positions, or 574.3 new FTEs, over 2026 (see Figure 4 on the next page). The increase would occur despite [staffing cuts announced midway through 2026](#), when 263.4 FTEs were eliminated (effective July 1, 2026) for a savings of \$29.5 million for 2027. [News coverage](#) reported that 116 of the positions were eliminated from the Offices of Academics; Communications; Family, Community, and Partnership; Finance; Human Resources; Operations; Office of Schools; and the Superintendent’s office. The 147 other positions being eliminated include assistant principals, deans of students, and “implementers and interventionists” who provided direct support to teacher and students. MPS is also consolidating the Departments of Black and Latino Male Achievement; Gender and Identity Inclusion; Positive Behavioral Interventions and Supports; and Restorative Practices. The superintendent has stated that the ongoing savings from these moves seek to cover the remaining negative general fund balance left over from 2025 and assist along with other budget provisions to achieve the 2027 class size reductions made possible by the increase in teaching positions and priced at \$24.6 million.<sup>10</sup>

### Unresolved Changes to the Budget

Unlike the vast majority of this budget brief, the content of this key is largely based on the *revised* MPS budget book, due to the material changes from the original version. In the original publication, MPS proposed a net addition of 225.4 new FTEs, not 574.3. Total proposed expenditures on salaries, wages, and benefits (\$96.3 million) did not change between the two versions.

Details on the 263.4 eliminated FTEs are not available in the original or revised budget books; our analysis is based on statements by the MPS administration to the Milwaukee Board of School Directors and the media. The Forum attempted to learn if the net addition of FTEs did or did not include the eliminated FTEs but was unable to do so prior to publication.

<sup>10</sup> For class size funding, see [MPS 2026-27 Proposed Budget Summary](#), “Largest Centrally Funded School Supports” (p. 46). For proposed staffing levels, see page 6 of the same document, “Staff Distribution by Position Type.”



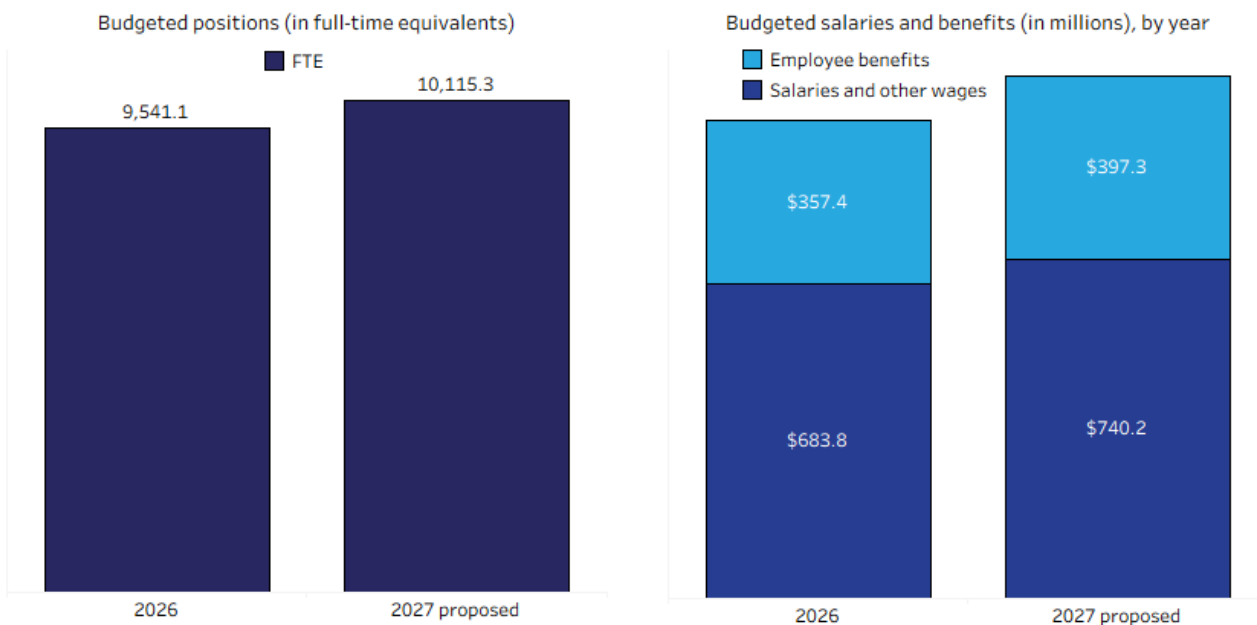
Not all of the 2026 cuts equated to job losses. District officials report that 60 of the 263.4 FTEs were vacancies. Another 102 staff may be able to transition into federally grant-funded positions supporting instruction. Finally, an additional 80 to 100 staff will likely qualify for classroom teaching roles, if only on an emergency basis, leaving potentially fewer than 25 FTEs without a job for 2027. However, it remains an open question how many of the staff who lost their positions will choose to apply for these available jobs, and there may be a negative impact on staff morale and school cultures.

The Forum has also warned in the past about a reduction-in-force strategy that focuses on central office staff, since dramatic central office cuts can negatively affect core district operations, as indeed occurred with the delays and errors around financial reporting and controls since 2024. With proposed cuts touching nearly every office, district officials have sought to offer assurances that they are containing the risks and investing in remaining staff to work more strategically without impairing core functions.

Many of the staffing shifts are in service to the district’s new “[standard of care](#)” decision framework, which lays out staff-to-student ratios to guide staffing allocations for each school. The superintendent has cited a variety of rationales for putting the standard of care in place, including that it will reduce class sizes in response to staff requests and potentially attract more students and drive down the need for support staff outside the classroom. Cassellius has separately noted that clearer guidelines may address staffing inequities between schools. It is also possible that the standard of care becomes a tool to inform eventual school cuts, consolidations, or closures.

Whether the standard of care can achieve these goals depends in large part upon whether the district can hire and retain people for the newly created teacher and paraprofessional positions. MPS has struggled in recent years to fill vacancies both within schools and at central office. The vacancies have produced a “vacancy adjustment” – savings on salaries and benefits that the district used

**Figure 4: Proposed Budget Increases Staffing Levels and Personnel Costs**



Source: MPS 2027 proposed budget (republished version)



liberally to help balance past budgets. For example, the 2026 proposed budget included an assumption of \$75.9 million in savings, based on an assumed vacancy rate of 11%, or about 1,057 FTEs at the time. The Forum has questioned such high adjustment levels in the past, noting that budgeting in this manner fails to reflect and convey to the public the district's true staffing needs at a time of declining student enrollment. In the 2027 proposed budget, the administration would make progress toward lowering the vacancy adjustment by budgeting for only \$33.7 million in savings. District officials have stated that amounts to over 4% of total budgeted salaries.

The proposed vacancy adjustment increases transparency and reflects the district's work to implement position controls alongside new business management software. The stated goal is to align the human resources and finance offices around a common understanding of which positions have been created and whether they are filled or vacant. Transparency would be enhanced even further if the district also published its current and target vacancy rates.

The proposed net increase in FTEs and proposed changes to salaries, wages, and benefits would drive up the district's personnel costs by \$96.3 million, or 9.2% (see Figure 4 on previous page). Within that total, salaries would rise by 8.2% (\$67.1 million), wages would fall by 32.2% (\$10.9 million), and benefits would rise by 11.2% (\$40.1 million), further pressuring the district's budget in future years. To control that pressure, MPS administration has proposed waiting to implement the full 2.63% cost-of-living adjustment allowed under state law on July 1, 2026. Instead, the district would split the increase, with staff seeing 1.5% increases in July and a further 1.13% increase in January 2027.

The budget proposes further raises to employees' salaries based on their education and experience. District officials have [stated](#) that the combined estimated cost of these raises with the cost-of-living adjustment would be \$36.2 million and that the additional teacher and paraprofessional FTEs (which are the largest contributors to the net addition of 574.3 FTEs) would cost an estimated \$21.3 million. Positions like paraprofessionals, school counselors, and principals would also receive increased hours.

As may be expected, the budget's proposed changes to positions and salaries have generated the most comments and controversy at public hearings. Many representatives from the teachers' union and the community have decried the cuts, expressed skepticism about the district's ability to recruit for the new positions, and called for the full cost-of-living adjustment to be in place as of July 1. These concerns reflect inflationary pressure on staff's personal finances, difficult transitions for schools, and hits to employee morale. At the same time, the proposed budget as it stands would already add material costs to the district's ledger just before the district is slated to begin losing revenue (see Key #5).

### **Key #3: Lead Stabilization Work Ending; Future Capital Resources in Question**

The superintendent has stated that addressing deferred maintenance and creating a physically inviting school environment is a priority. However, emergency work to protect students and staff from the impact of lead contamination has consumed a large amount of district money set aside to deal with long-term capital costs. Depleted balances in the long-term capital fund and a downgrade of the district's bond rating may make it difficult to care for the district's aging buildings in the future.



According to the district's financial statements, MPS has spent a total of \$41.8 million to make emergency repairs on buildings impacted by lead paint and other sources of lead contamination. Lead stabilization work on 99 schools began in January 2025 after MPS and the Milwaukee Health Department revealed elevated lead levels in four students across a number of district schools. Early work focused on 10 schools that required urgent attention to address known lead contamination. Next, schools built before 1950, among the oldest in the district, saw lead stabilization repairs like replacement of chipping paint, lead fixtures, and pathways for lead poisoning. Schools built between 1950 and 1978 were tackled last. Major work in impacted schools was completed in November of 2025. Schools built after 1978 should be lead-free, as that was the year lead was phased out of use in paint nationally. The remaining remediation work consists of touch-up painting in schools where work has already taken place, and auditoriums and outdoor structures. The district indicates that the full project will be completed by August 2026 and, as a result, funds budgeted in 2027 for lead stabilization would drop by \$38 million compared to 2026's budget.

In addition to lead-related costs, the district has ongoing facilities repair and maintenance costs for keeping its schools up and running, paid for through three separate funds. These include the school operations fund, construction fund, and Long-Term Capital Improvement Trust. Spending on facilities and maintenance from all funds is set to fall from \$167.2 million in 2026 to \$121.9 million in 2027, a drop of \$45.3 million. Budgeted positions for maintenance fall by 11, to 814.7 positions with salary costs of \$49.5 million. These staffers are responsible for tasks such as fixing boilers, lighting, windows, and making sure buildings are clean every day. While budgeted facilities and maintenance spending would fall in 2027, the budgeted amount for next year still far exceeds the \$70.5 million spent in 2025. Continued investments in facilities and maintenance can help avoid a situation in which deteriorating buildings result in expensive emergency repairs.

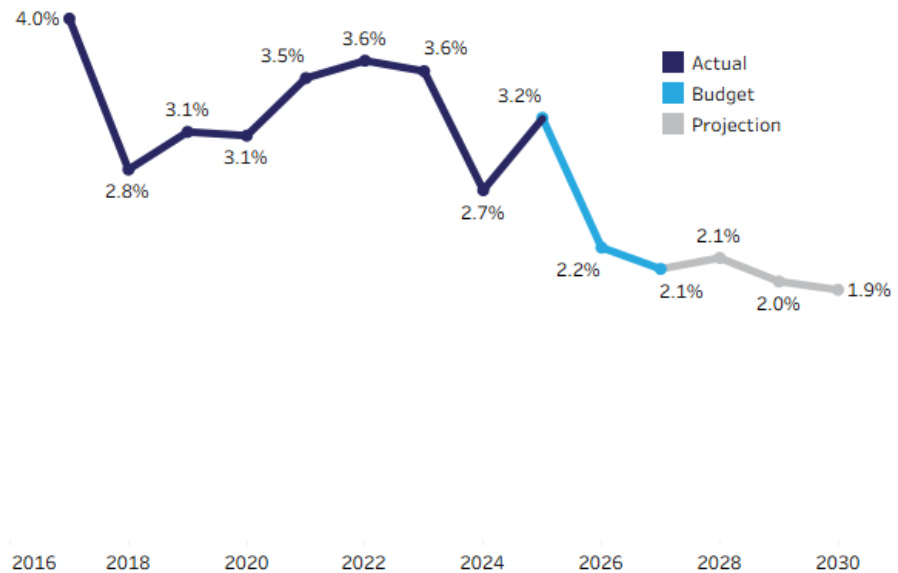
Addressing emergency lead repairs diverted resources away from the district's long-term planning efforts. The last budget created a new long-term capital investment trust to serve that purpose. Initial money for this fund came from approximately \$140 million in transportation savings accumulated during the pandemic. Last year's budget estimated that there would be \$82 million remaining in the fund for future capital expenditures. Emergency lead stabilization work has used up a substantial portion of that fund, and the 2026 budget was amended to provide \$22.1 million in additional funding to [modernize and upgrade six priority schools](#). This leaves \$22.3 million at the end of 2026 for future investments. The 2027 budget includes \$6.2 million in spending from this fund to address deferred maintenance and make efficiency-related purchases, which would leave a balance of \$18.1 million for 2028 and beyond.

The superintendent has [indicated](#) that school closures and consolidations will be considered in these future years, following some of the recommendations laid out in [long-range facilities planning](#) carried out by an external consultant. As [past Forum research](#) and others have flagged, some action on this front is almost certainly necessary, given the district's declining enrollment, the costs associated with maintaining underutilized school buildings, and the limited academic and extracurricular offerings available to students at them. Doing so in a way that protects students, upholds community priorities, and ultimately leaves the district in a stronger financial position, however, will be a challenging undertaking.



One bright spot for the district's finances has been the steady repayment of outstanding total debt and falling annual debt payments, as shown in Figure 5. These payments have fallen as a share of total district spending from 4% in 2017 to approximately 2% in this budget.

**Figure 5: Debt Payments Fall as a Share of Ops. Budget**  
Debt payments as a percent of operations expenditures, 2017-2030



Source: MPS 2027 proposed budget. Note - 2022 and 2023 are estimates.

Projected debt payments are expected to increase by \$1.8 million in 2027 to \$27.4 million. These payments are projected to rise again in 2028 to

\$29.2 million then fall back to \$27.7 million in 2029 and each year thereafter as the district pays off its long-term obligations. This lower level of debt payments results in more funding for MPS operations, and is far lower than other large districts. For example, the Madison Metropolitan School District spends more than 7% of total budget on debt service.

One [recent development](#) that may make raising funds difficult in the future for the district is the downgrade of the district's bond rating to BBB-, the lowest bond rating among investment-grade bonds. The downgrade was attributed to the district's falling reserves and ongoing structural deficit. As a result, if the district decides to issue bonds to cover capital costs in the future, it will likely face higher interest rates and higher payments.

#### Key #4: Short-Term Gains, Long-Term Loss from Exiting Charter Schools

The exit of several schools from the MPS umbrella leaves a mark on the proposed 2027 budget and the outlook for subsequent budgets, putting its imprint on enrollment, revenue, and expenditures.

By the beginning of the 2027 academic year, nine schools total will have transitioned their governance away from the Milwaukee Board of School Directors. Seven are charter schools, which are publicly-funded, independently-operated schools authorized by legislatively-approved entities. In Milwaukee, these approved authorizers include MPS, the Common Council of the city of Milwaukee, and the University of Wisconsin-Milwaukee (UWM). For 2027, all four schools within the Milwaukee College Prep charter network and three out of four schools within the Carmen Schools of Science and Technology charter network will shift to being authorized by UWM rather than MPS. (Carmen's fourth school is already authorized by UWM.) In the case of Carmen, these shifts follow actions by the Milwaukee Board of School Directors to [deny the charter renewal of one school](#) and to deny the lease renewals for the other two schools, each of which had shared a crowded building with a traditional MPS school. In the case of Milwaukee College Prep, the [Milwaukee Journal Sentinel](#)



reported “long-term stability and...mission align[ment]” as rationales cited by the charter network’s leaders for the change.

In addition, two alternative high schools with which MPS contracted to serve uniquely at-risk students will not renew their contracts for 2027. The Northwest Opportunities Vocational Academy and Shalom High School, both affiliated with the Milwaukee nonprofit TransCenter for Youth, will continue to operate but now as private schools accepting publicly-funded tuition vouchers.

Combined, these nine schools educated 3,773 students in 2026. Their loss cuts in half the number of students educated at non-traditional MPS schools and is the largest contributor to MPS’ projected 6.5% enrollment decrease for 2027.

The fiscal impact of the schools’ departure and the associated enrollment drop will ultimately be a loss for MPS, but not right away. In the short term, MPS accrues some benefits. The proposed 2027 [budget](#) shows \$45.7 million less in purchased services expenditures in 2027 for payments to these “non-instrumentality charters,” as they are called, reflecting that MPS will no longer need to pay to serve those schools’ students. That gain far outweighs the loss of rental revenue that the Carmen schools previously paid to the district for using MPS space, which totaled \$1.5 million in 2026 according to the Journal Sentinel. In theory at least, MPS could also recruit more students into the vacated Carmen campuses, potentially increasing enrollment and therefore revenue.

The district will eventually see revenue declines from the loss of the departing schools’ students, but the loss does not hit immediately, since many of the revenue streams calculated on a per pupil basis use enrollment counts from previous years.<sup>11</sup> Hold harmless provisions related to declining enrollment will further shield MPS for now from a precipitous drop-off in its state-imposed revenue limit, which encompasses the majority of the district’s discretionary revenue.

It will take until 2030 for the district to feel the greatest effect of the enrollment drop. The impact will be dramatic when it arrives. The five-year forecast projects a \$46.5 million decrease in general fund revenues from 2029 to 2030 – nearly as deep a hole as the negative general fund balance that caused painful mid-year layoffs and other adjustments in 2026. While the loss of the charter students is not responsible for the whole of the projected 2030 decrease, it plays a major role.

The loss of its charter students will affect the district’s bottom line. Over the years, MPS has received more revenue for these students than it is required to pay to the charter schools, leaving it with a surplus each year to use for district-wide services. And, as [2018 Forum research](#) on the topic reported, administrative fees paid by charter schools to the district further add to the funds available for the district. To be sure, the district has real administrative costs that it incurs for acting as the charter schools’ authorizer, including ensuring compliance with all federal, state, and local laws and regulations, in addition to acting as the fiscal agent for all state and federal funding sources. Overall,

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<sup>11</sup> State-set revenue limits use a three-year rolling average enrollment figure to calculate the maximum revenue districts can receive from the combination of local property taxes and state general school aids, their two largest sources of aid. MPS’ revenue limit for 2027 will be informed by the average of its 2024, 2025, and 2026 enrollments. The state also uses a version of the three-year rolling average to calculate and distribute per pupil aid, another material source of discretionary revenue. Most categorical aids, which the state directs to support specific student populations or district needs, use prior year enrollment as the basis for their distribution. The same is true of state equalization aid, which counts toward revenue limit funding. More details are available via Legislative Fiscal Bureau informational papers on [School District Revenue Limits and Referenda](#) and on [State Aid to School Districts](#).



however, the net effect of retaining these charter schools under the MPS umbrella rather than losing them to other authorizers was increased revenue to cover district-wide costs.<sup>12</sup>

The Forum estimates that MPS gained a total of roughly \$4,500 per pupil in core revenues in 2026 as a result of authorizing Carmen and Milwaukee College Prep. The Forum typically considers core revenues to be those

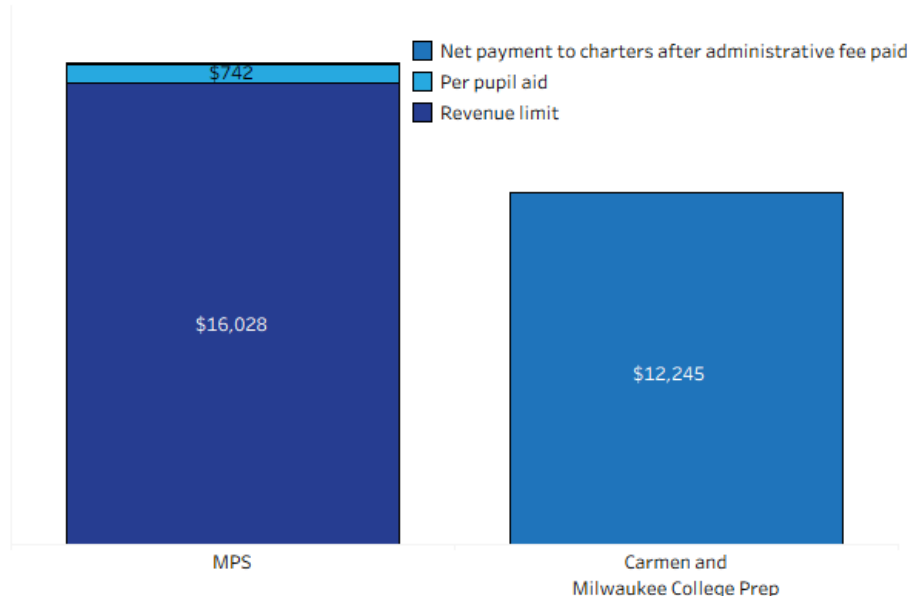
key public funds that come with relatively few restrictions on how the funds can be spent, and which make up the majority of a district’s budget. Our calculation is based on MPS receiving \$16,770 in combined revenue limit and state per pupil categorical aid for each district student (including charter students), paying the contractually agreed-upon \$12,369 per charter student, and collecting back a 1% administrative fee from the schools.<sup>13</sup> (See Figure 6.) We estimate these funds amounted to over \$15 million total additional dollars for MPS in 2026. These numbers do not include the two alternative high schools that are also leaving the district.

Ultimately, the departure of the nine schools from MPS will have minimal negative impact on the district for 2027 and indeed some positive impact, as the state’s funding formula will yield some substantial dollars for students who are no longer the district’s responsibility. Yet in the long run, MPS will lose out on greater amounts of revenue, further jeopardizing its fiscal outlook. The city as a whole will also see fewer total dollars coming into Milwaukee from state and local sources to help educate students here as a result of the authorizer changes.

## Key #5: Potential Budget Gap Looms in Coming Years

In this moment and the years to come, MPS has many challenges to overcome – some imposed from the outside and some of its own making. In recent years, MPS balanced its budget by drawing on federal COVID-19 aid and the 2020 and 2024 referenda – lifelines that may not be available at all or

**Fig. 6: MPS Retains One-Third More Per Pupil Than Charter Schools Receive**  
Core per pupil revenues attributable to students at Carmen and Milwaukee College Prep



Source: Milwaukee Public Schools, WPF analysis

<sup>12</sup> As the [2018 Forum report](#) describes in more detail, one could argue the opposing perspective that including charter schools under the MPS umbrella prevents those charter school students from attending traditional MPS schools, to the detriment of MPS’ control over the dollars attributable to those students. In this case, however, there is little reason to believe that the authorizer switch will result in any more students returning to MPS than usual, since the average charter student’s experience is unlikely to be affected by the switch.

<sup>13</sup> This calculation could vary for other charter schools operating under MPS if their contracts stipulated a different administrative fee.



in the same degree in the future. That raises the importance of making good decisions now to ensure the strongest possible finances for the district and to spend in tight alignment with its top priorities.

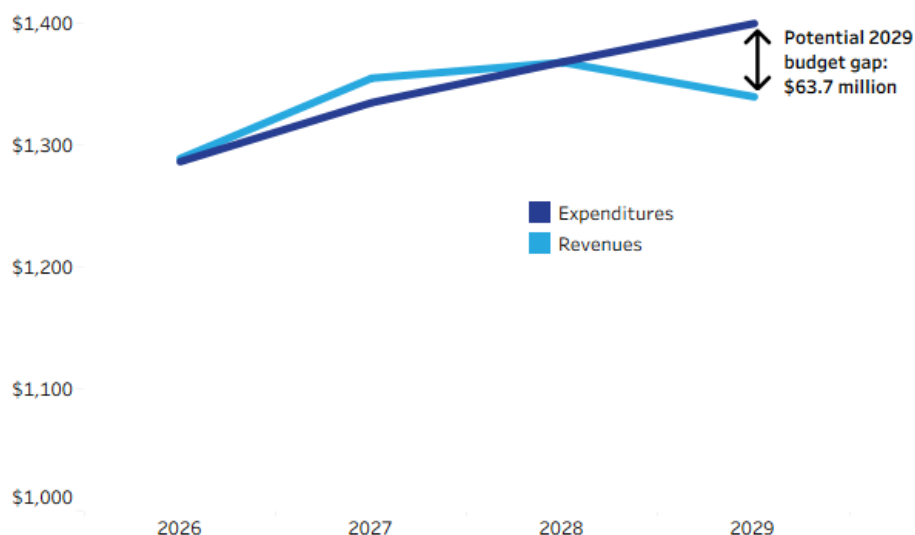
As we have discussed, the district for the current 2026 school year is seeking to reverse a substantial negative balance in its main fund that opened up last year despite the passage of its 2024 referendum. While the shortfall has largely been addressed, the 2027 plan would move in a different direction by adding 574.3 positions, providing salary bumps, and increasing salaries and wages overall by 8.2%. These cost increases are being proposed in hopes of improving learning and working conditions, but they occur even as the loss of several charter and alternative schools adds to the district’s ongoing enrollment declines.

As we have noted, the district can absorb these and other cost increases in 2027 by cutting its charter school payments while for now holding on to the revenues associated with those students. Under the state formula that calculates the per pupil revenue caps for schools, districts can claim a one-time boost to their revenue limits for falling enrollment and another for severe declines. MPS should be able to claim both for 2027, projecting it will receive \$12.1 million in hold harmless money for its severe enrollment decline in the coming year and an additional \$33.6 million from the standard declining enrollment exemption. The rolling average in the revenue limit formula also takes three years to factor in enrollment losses. These factors combine to make the loss of the charter schools a short-term boost to the MPS budget, but going forward the enrollment drop will hit the district’s revenues much harder as the exemptions phase out.

In addition, the district’s front-loaded 2024 referendum will complete most of its four-year phase-in 2027, adding \$47 million to the MPS revenue limit. In 2028 – the final year of the referendum – the ballot measure will add only \$14 million in additional revenue and spending authority. Inflation is also likely to remain elevated, at least for the near future. All of these factors will likely converge to make the budget much more difficult in 2028 and 2029.

This analysis is borne out in the district’s own five-year budget projections for its main fund. As shown in Figure 7, revenues are projected to begin falling by 2029, while district spending would grow between 2% and 3.5% per year. Without a sizeable influx of revenues, the general fund deficit would be \$63.7 million in 2029

**Figure 7: MPS Spending Projected to Outpace Revenues by 2028**  
Projected general fund revenues and expenditures by year



Source: 2027 MPS Proposed Budget



and \$420.5 million by 2031. While these projections depend upon a series of [assumptions](#) that are subject to change, the implications of a potential deficit of this size within two years are steep, putting at risk the very teaching positions that MPS now seeks to create.

Unfortunately, there are still further potential threats to the district's fiscal and overall operating health. As mentioned in Key #3, the district has a growing backlog of aging facilities that need replacement or significant renovation. The need to make these facilities investments will put added pressure on the district's operating budget and further importance on the credit score assigned to its debt.

As of April 2026, MPS debt was [downgraded by S&P Global Ratings](#) to BBB-. The ratings agency acknowledged the efforts being made by the district's current leadership but cited its past "deficiencies in transparency and reporting and weak risk management, credit culture, and oversight practices." The current outlook for MPS' credit rating is stable. Yet, any additional deterioration in the district's finances could risk a further downgrade of its rating into junk bond status. That could add to the district's interest rates and borrowing costs, though MPS may be shielded at least partly from that by the fact that it does its borrowing through the city of Milwaukee. The issue bears monitoring, given the strong possibility that MPS will need to borrow substantial sums in the future.

For the district, the easiest solution to these financial concerns would be a boost in its state-imposed revenue limits, either through state legislation or through a ballot measure put to local voters. Wisconsin's general fund balance has decreased in recent years, making it harder to deliver a massive increase in state aid to K-12 schools without tax increases or spending cuts in other areas. As for the ballot option, the district has successfully passed two out of two referenda in the last six years. However, the 2024 referendum passed only narrowly, and since then statewide passage rates for referenda have fallen somewhat. The district has also been under heavy public scrutiny as it responded to delayed financial statements and cases of lead poisoning among students that led to emergency remediation efforts impacting fifty schools. Nine of those schools were temporarily closed, displacing nearly 3,700 children during the 2025 school year. In short, a referendum could not be counted on to pass.

In light of these risks, MPS officials and board members may wish to consider a range of options. These alternatives could include continuing efforts to improve transparency and financial and position controls (a prerequisite to curbing spending), phasing in or limiting new hires and raises, shifting teacher recruitment and retention efforts to include a greater focus on improving working conditions, partnering with the city and county on shared administrative and other services, and closing or consolidating schools with enrollment declines.

The superintendent has worked to pursue several of these options, but some such as school closures have yet to advance. According to Perkins Eastman, the independent design firm assessing district facilities, the estimated annual cost savings for five schools that have been identified as the best candidates for closure is between \$3.4 and \$4.3 million, and savings of over \$13 million would be attained over 10 years due to reduced spending on facility maintenance and repairs. Further savings might be available through additional schools that meet certain criteria for closing. A district never takes on school closures lightly, and it is a hard road to travel, but one that may be unavoidable.



These options need not be seen as being in opposition to efforts to seek additional revenues from the state or a local referendum. Taking steps to close the coming budget shortfalls might show the district is making progress even as they highlight the huge challenges and sobering potential impacts that students, staff, and taxpayers are facing. Families, teachers, residents, and investors need to have confidence in the district's ability to meet these coming challenges, or MPS will find it harder to maintain and attract the necessary enrollment, staff, and capital financing to accomplish its crucial mission.



# CONCLUSION

In wrapping up her first year on the job, Superintendent Cassellius might have hoped for a calmer budget process at MPS in which the district drew on the remaining revenue increases from the four-year referendum passed in 2024, benefited from the results of her administration's concentrated efforts to stabilize the district's operations and financial controls, and made investments before considering school closures and consolidations in response to declining enrollment.

Instead, midway through 2026, she and her team discovered a negative \$45.6 million fund balance in the district's main fund occasioned by overspending in 2025. The discovery prompted her to find immediate cuts to contracts and positions, propose phased-in 2.63% salary raises for 2027, and continue cuts into the 2027 proposed budget. Positions at central office are particularly hard hit, including some student-facing ones like assistant principals. A new "standard of care" framework guides these position cuts, attempting to align the district's staff-to-student ratios with other large urban districts nationally and ensure equitable staffing levels across schools.

The same framework also lies behind a surprising move in the 2027 proposed budget – given the district's sobering fiscal outlook – to add 574.3 new FTEs on top of the 2026 budget. If filled, these new positions will largely be based in classrooms as teachers and paraprofessionals. The superintendent has positioned the move as a strategic investment to reduce class sizes as a benefit to both staff and students, with a hope of ultimately increasing student enrollment and academic achievement. And, in the proposed 2027 budget, the district can afford the new additions to payroll. The trouble would arise in later years, when revenues are projected to struggle to keep up with the overall proposed 8.2% salary increase caused both by the new FTEs and by raises implemented across the board.

Adding to the trouble is the long list of district capital needs. MPS had set aside dollars in a new trust to begin addressing these needs and engaged a consultant to update the district's long-range facilities plan, signaling an intent to make substantive decisions that the district had long deferred. However, the 2025 discovery of lead paint in MPS classrooms demanded the attention of facilities staff and drained \$41.8 million from the Long-Term Capital Investment Trust, calling into question how and with what level of funding the district can marshal for facilities moving forward. Whatever district leaders do, they will have to contend with MPS' recently downgraded bond rating, which could mean less favorable interest rates and payments just as the district takes on costlier and longer-term capital work.

MPS will also soon lose a longstanding financial cushion in the form of nine departing charter and alternative schools. For 2027, the schools' transitions away from MPS are actually beneficial to the district, since MPS no longer needs to fund them but will still receive revenue for now for the departing students under the state's funding formula. The full enrollment decline will eventually hit, however, with major consequences for the district's main revenue streams. MPS is typically a financial beneficiary in its charter school arrangements, gaining more revenue per pupil than it pays back out to the charters, and the loss of the seven charter schools will amount to an estimated



\$4,500 per pupil lost each year (although the district may also be able to reduce its support costs given it will have fewer students under its governance).

These factors and more combine to leave the district with a proposed balanced budget for 2027 but an ominous outlook for the following years. The district's five-year forecast projects a structural deficit for the school operations fund emerging as soon as 2028. That is also the final year of the 2024 referendum's implementation, which will provide only a \$14 million cushion. The loss of the charter and alternative schools will begin affecting state funding formula enrollment and the resulting revenue in 2028, with the effect worsening over several more years. Regardless of any other factors that may yet sway the forecast to improve or deteriorate further, these pressures appear substantial and certain.

There are bright spots in this proposed budget and in the story of the district over the past year. The proposed 2027 budget strategically leverages available revenue to avoid some cuts and to make investments for the future. It more responsibly uses a vacancy adjustment and continues a steady rate of debt repayment. The superintendent and her team have made measurable and substantive progress in addressing operational issues that fueled past financial missteps. The progress is all the more notable given an [external review's finding](#) just 1.5 years ago that MPS was home to "a longstanding culture of fear and reluctance to change."

Our hope in publishing this budget brief is to offer information and analysis that district officials, board members, and community members can use to protect these gains and the meaningful difference they can make for MPS students, staff, and taxpayers. Fiscal analysis is never the sole consideration when constructing an education budget; the needs of students should always be at the forefront. To strategically and effectively serve them for the long term, however, requires a clear-eyed view of the financial reality and stakes.

