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# **MPS Failures Continue to Fuel Poverty in Milwaukee**

## **One Solution: Declare Bankruptcy and Start Over**

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In much the same way they forced General Motors into bankruptcy, unsustainable and overly generous pension and health insurance benefits are leading Milwaukee residents down a road that may force Milwaukee Public Schools into bankruptcy.

**Milwaukee is now the fourth poorest big city in the U.S.**, and the fiscal and educational failures of MPS have, in my opinion, helped deepen poverty in Milwaukee. The tax burden heaped upon taxpayers by MPS seems to widen each year, and I think MPS bankruptcy – a process that could be initiated by a referendum put to city voters – is our only viable option to recovery and some semblance of solvency.

Considering our poverty rate, how else will Milwaukee taxpayers dig out from under the billions of dollars in obligations granted by irresponsible MPS school boards?

**I ask residents to consider some very hard-to-swallow facts about MPS:**

### **Unsustainable Budget**

- Rising costs of health care and benefits have led to a \$67 million increase in the district's budget from 2009 to 2011.
- If property taxes are not increased, current trends may result in a budget gap as large as \$200 million by the 2012-2013 school year.
- MPS is faced with \$2.2 billion in unfunded post-retirement benefits for its employees.
- As a consequence of its current financial problems, MPS may have to cut up to 7.5% of its teaching positions for the next school year (especially art, music and gym teachers), as well as other specialists, such as librarians. Class sizes are projected to skyrocket – to as much as 50 students per classroom at the high school level.

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### **Increasing Reliance on Property Tax Levy**

- State aid revenue per student has been flat or declining. This fact, combined with rising district operating costs, has led to an increased reliance on property tax revenues to fund MPS.
- Over the past 3 years, while the Milwaukee community has been in the grips of a deep recession, the district's property tax rate increased 33%, from \$8.84 to \$10.66 per \$1,000 assessed valuation. In the past year alone, the increase was almost 9%.

### **High Employee Benefit Costs**

- Generous and expensive employee benefits – particularly pension plans and health insurance – have been the driving force behind the district's financial crisis.
- Next year, MPS will provide \$0.77 in employee benefits for every dollar it spends on salaries.
- The district currently offers its employees two health insurance plans, one of which costs \$7,380 -- or 45% -- more per year (per employee, family plan) than the other. 80% of MPS employees have enrolled in the more expensive plan.
- MPS could save up to \$47.3 million per year if all of its employees used the less costly (but still generous) health plan – enough money to fund more than 450 teaching positions.

The preceding information, put together by the city's Legislative Reference Bureau, should trouble any city taxpayer and anyone who is truly concerned about Milwaukee's future.

But, if you listen to the candidates in the Wisconsin gubernatorial race, there's no mention or discussion of these catastrophic MPS problems. We just keep hearing both candidates talk about jobs and job creation, but nothing about the MPS problem and its possible ramifications.

**Personally, in my travels in Milwaukee I see far too many young people who are ill-equipped for today's global economy, and who do not possess basic and technical skills needed to secure a good-paying job. I see a lack of communication skills, a manner of dress and appearance, and behavior that will preclude them from working anywhere.**

It is mind-boggling to me that Bucyrus, a manufacturer that is among Milwaukee's finest employers, is having a hard time finding welders to fill good-paying job slots – the kind of jobs that helped build Milwaukee and this community. Where are our tech skills? Why isn't Bradley Tech High School churning out students who have skills such as welding?

For that matter, where is MATC in this picture, and why isn't it producing technically capable young people who can fill jobs in industry and manufacturing?

More than 10 years ago, a private corporation weighted down with debt – Harnischfeger Corp. – filed bankruptcy and emerged as Joy Global. It is now one of Milwaukee's most successful enterprises.

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Why should MPS – a public sector corporation – be prohibited from the same “start over” opportunity? This is a question taxpayers must start asking, and soon.

I believe bankruptcy should be explored *NOW* for MPS. The unsustainable mountain of debt, rising property tax increases, and billions in unfunded future benefit obligations make bankruptcy seem to me to be our only viable option.