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Declining Enrollment in California Schools

Fiscal Challenges and Opportunities in the Coming Decade

SUMMARY

CONTENTS

Technical appendices and an interactive map for this report are available on the PPIC website.

Demographic projections from the California Department of Finance (DOF) suggest that California's public K–12 school system is entering a long period of declining enrollment. By 2027–28, statewide enrollment is projected to fall nearly 7 percent (compared to 1.5% over the past decade). Enrollment is projected to shrink in about half of all counties, and declines are expected in more of the state's larger counties.

Districts with declining enrollment face fiscal pressures, as state funding is tied to the number of students they serve. Declining enrollment also has important implications for the state budget. To help policymakers understand the effects of declines over the coming decade, we looked at recent district-level enrollment declines and assessed their consequences for districts as well as the state budget.

- **Most district-level declines in student enrollment are large and long lasting.** The typical multi-year decline persists over a decade or more and is greater than 20 percent. Enrollment does not generally rebound, so most districts must adjust to lower enrollment levels.
- **District downsizing in response to enrollment declines does not necessarily lead to budget savings.** District revenues often decrease each year as enrollment declines, but it is difficult to shed costs at the same rate. Some costs are fixed and districts lose economies of scale in some services (e.g., capital, maintenance, debt service) and staffing (e.g., administrative positions).
- **Shrinking districts are cutting total expenditures but spending more per pupil.** The state budget includes a "declining enrollment adjustment" that shields a district from a funding reduction for one year after a decline. This results in higher levels of per pupil spending in districts experiencing long-term declines, and helps districts maintain staffing ratios despite retaining a more experienced—and therefore more expensive—teaching staff.
- **State spending on the declining enrollment adjustment will continue to increase.** The state spent $925 million on these adjustments in 2018–19. As the K–12 population shrinks in the coming years, the cost of this adjustment will take up a growing share of the total K–12 budget.
- **Declining enrollment could boost statewide per pupil funding.** There is at least one silver lining: with continued economic growth, lower enrollment could result in funding increases for K–12 schools of up to $100 per student in each of the next several years. The reduction in the K–12 population will increase per pupil funding under Proposition 98, giving state policymakers additional resources to help districts facing multiple fiscal challenges.

Though most enrollment declines cannot be prevented, early awareness and planning can help districts adjust gradually and avoid larger, more difficult spending cuts. The state should provide technical assistance in enrollment planning and the longer-term operational changes that may be required in districts that experience significant declines. The state could also use additional funding generated by statewide declines to increase the base grant that districts receive for each student. This would help all districts address core funding challenges.

Click here to explore an interactive map showing enrollment trends and projections for all California counties.

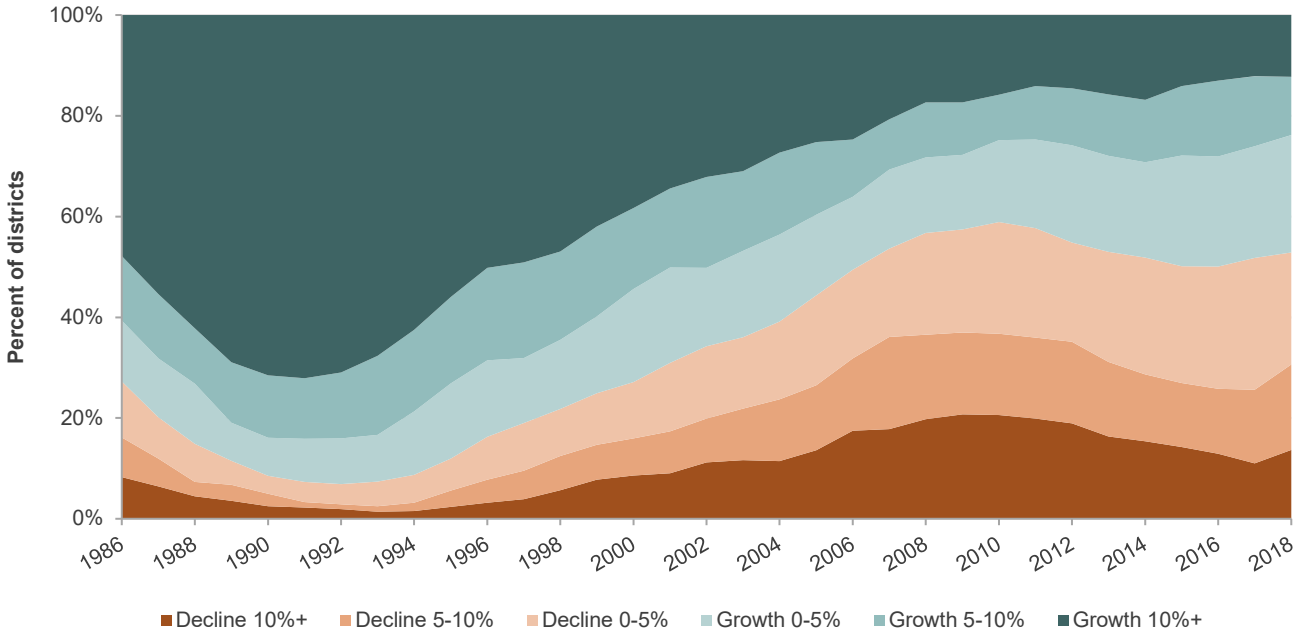
Introduction

For most of its history, California's K–12 system has faced the challenge of accommodating rapid growth. In the mid-1990s, statewide enrollment increased by more than 2 percent a year. After peaking at about 6.3 million, enrollment has declined slightly but remained around 6.2 million students. But the Department of Finance (DOF) projects declines over the next decade of 6.9 percent, to about 5.75 million students.

However, statewide trends only tell part of the story, and can mask important differences at the county and district level. The late 1980s and early 1990s were a period of growth in many districts; more than half experienced five-year growth rates above 10 percent from 1987 to 1994 (Figure 1). This growth slowed considerably, and roughly half of all districts have been in decline since 2007. Many districts have been shrinking for more than a decade. Other districts continue to grow—sometimes at significant rates. In the next decade, it is likely that a majority of students will be in districts with declining enrollment: K–12 enrollment is projected to decline in 53 percent of counties, which currently serve 75 percent of the state's students.[1]

FIGURE 1

A majority of districts are now in decline



SOURCES: California Department of Education and authors' calculations.

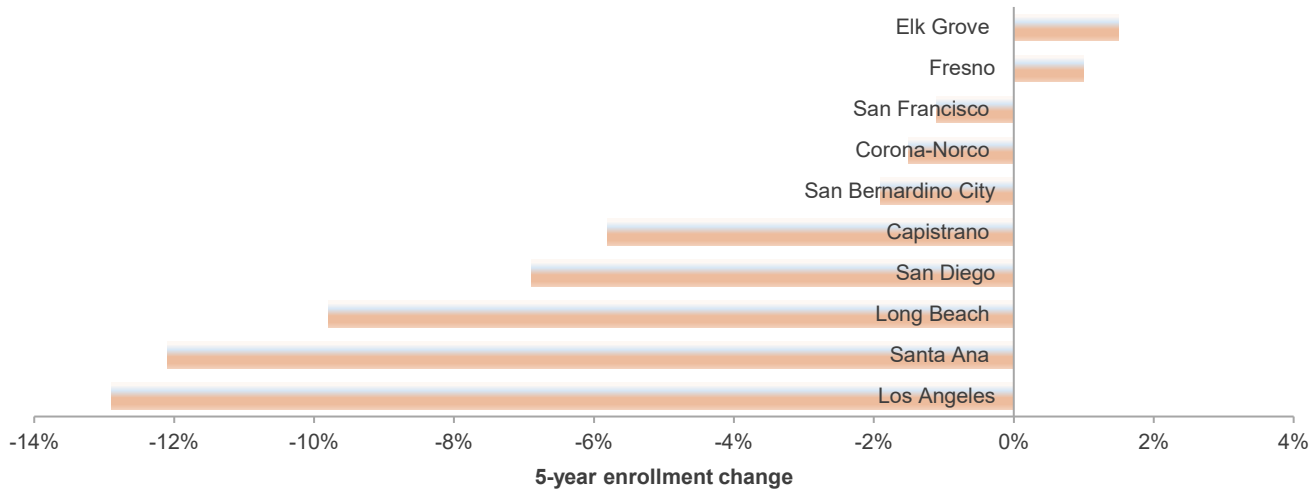
NOTE: Figure shows five-year enrollment changes, by fiscal year. Districts with fewer than 250 students are excluded. See technical appendix Figure A1 for student-weighted version, which shows the percent of students in growing/shrinking districts.

[1] Declines do not appear to have disproportionately affected students of any particular racial, ethnic, or socioeconomic group (see Technical Appendix A for more information).

Many of California's roughly 1,000 school districts are quite small—445 districts (43%) enrolled fewer than 1,000 students in 2018–19.[2] The loss of small numbers of students can translate into large percentage reductions in enrollment in these districts. However, many of the state's largest districts also lost significant numbers of students over the past five years (Figure 2). Los Angeles Unified shrank by more than 12 percent (more than 66,000 students), as did Santa Ana. San Francisco Unified, the only large northern California district to experience a decline, lost 1.1 percent of its enrollment.

FIGURE 2

Eight of the state's ten largest districts experienced enrollment declines in the past five years



SOURCES: California Department of Education and author's calculations.

NOTE: District enrollment includes locally funded charters but not direct-funded charter schools.

Enrollment declines lead to declines in total revenues and spending, as a direct consequence of having fewer pupils to educate. The state budget includes a declining enrollment adjustment that shields districts from revenue declines in the first year, but they must find ways to balance their budgets in subsequent years. Districts cannot directly raise local property taxes for operational expenses, but they can levy parcel taxes or find alternative revenue streams using existing assets (e.g., renting out unused facility space). The most common approach is to cut expenditures.

To help policymakers better understand the challenges districts are facing, this report begins by assessing the DOF projections and the factors that are driving statewide declines. These projections do not include district-level trends, so we instead examine the size and duration of expected declines at the county level. In addition, we look at how districts have addressed the funding challenges created by falling enrollments, and report on our discussions on declining enrollment with district and county office staff. We close by recommending steps the state can take to help districts navigate a difficult fiscal terrain.

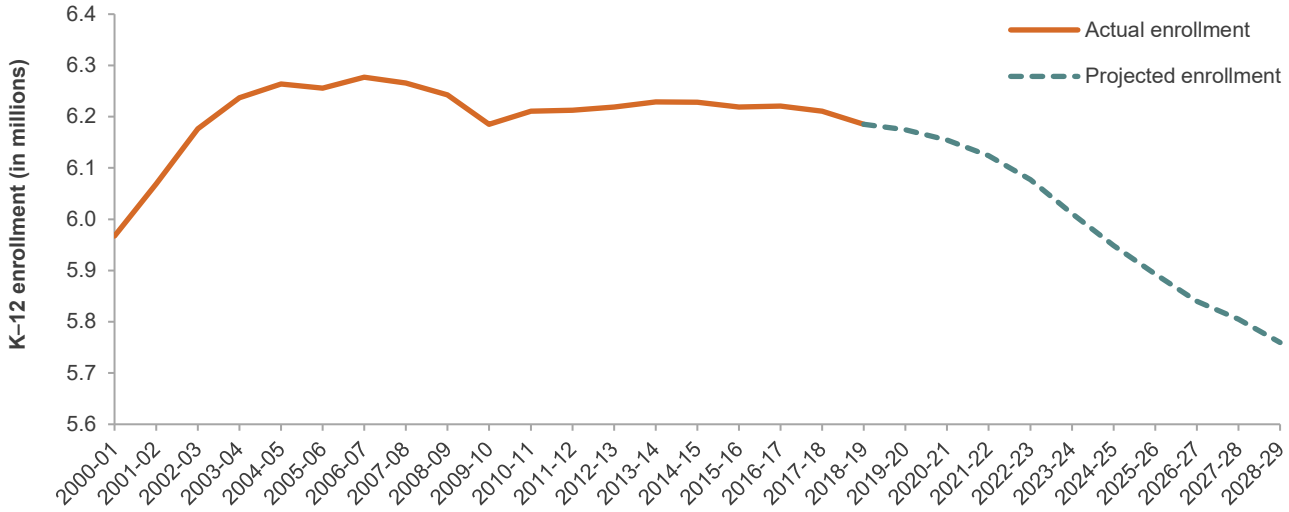
[2] Excludes both direct and locally funded charter schools.

Declines Will Accelerate in the Next Decade

In the next 10 years, the DOF projects a larger decline in statewide K–12 enrollment. The share of counties with shrinking enrollment will remain at about half, but declines will occur in more of the larger counties. Enrollment in some declining districts may stabilize, but declines are likely to continue in others. By 2028–29, state enrollment totals are projected to fall 6.9 percent (compared to 1.5% over the past decade), or 426,000 students (Figure 3).

FIGURE 3

Declines are projected to accelerate over the next decade



SOURCE: California Department of Finance.

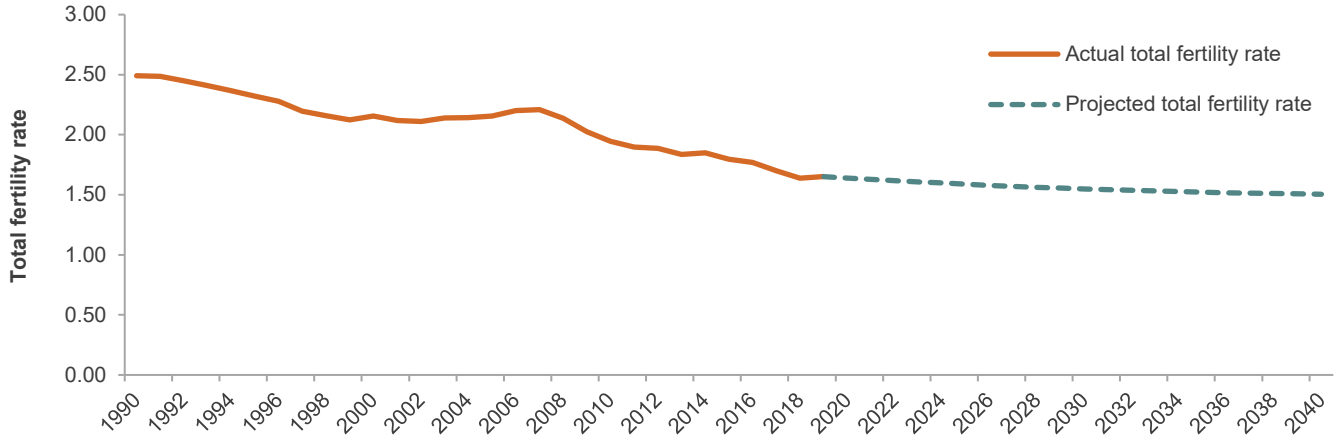
NOTES: Actual statewide enrollment is shown up to 2018–19. Enrollment counts for 2019–20 to 2028–29 are projections calculated by the California Department of Finance. Enrollment counts exclude ungraded enrollment, CEA schools, and special schools. Projections are based on analyses of birth rate, migration, and grade progression trends.

Fertility Rates and Migration Are Key Factors in Statewide Declines

California's fertility rates have fallen considerably over the past 12 years, after a decade of slight growth in the late 1990s and early 2000s (Figure 4). Historically, fertility rates were higher in California than in the rest of the United States. Since 2013, however, the trend has reversed: California's fertility has fallen below the rest of the country and has continued to decline at a faster rate. Consistent with a general downward trend over the past three decades, the DOF projections assume a slow decline in future fertility rates.

FIGURE 4

Fertility rates have fallen considerably over the past decade



SOURCE: California Department of Finance.

NOTE: The total fertility rate (TFR) represents the average number of children per woman the current group of mothers would bear if they lived their entire reproductive lives and bore children at the given age-specific rates.

Migration patterns are also important factors, although these trends have been roughly constant and have not accelerated over the past decade (technical appendix Figures C1–C5). More children leave to other states than come from other states, but this is partially mitigated by a large number who come from outside the country. Over the past five years, these migration flows, combined with declining birthrates, contributed a net 0.5 percent average fall in the number of children ages 5 to 18. Within the state, there is also a general flow of population from coastal to inland regions, affecting local but not statewide enrollments (technical appendix Figure C5).

Charter schools contribute to enrollment declines in some districts

Charter schools have grown considerably over the past decade, and non-district charters have had large impacts on enrollment in some districts. Charters enrolled 645,000 students in 2018–19, or about 10 percent of all students. This is an increase of 130,000 from 2013–14, when charter schools accounted for 8.2 percent of K–12 students. They are a large and growing part of the public school sector in some, but not all districts throughout the state. In particular, charters in Los Angeles, San Diego, Capistrano, and Oakland appear to play a significant role in these districts' enrollment declines. Existing research shows that charter growth in California has led to declines in spending and fiscal health in some districts, but its effect on district finances has been modest and somewhat smaller than in other states (Bruno 2019).

There is also some evidence that charter schools have attracted students from private schools or home schooling: data on private school enrollment suggest that up to a quarter of the increase in charter enrollment may have come at the expense of private schools. Private school enrollment declined by 32,000 students between 2013–14 and 2018–19, according to data from the California Department of Education. (Private schools that enroll five or more students are require to submit information, including enrollment data, to the department each year.) Thus, while charter schools have drawn students from traditional public schools, they have also slightly expanded the overall size of the public K–12 student population.

Evolving demographic trends make projections uncertain

There is considerable uncertainty in the DOF projections. Past forecasts have overstated enrollment because of underestimated declines in birth rates and net migration. The 2020 DOF forecast builds in a greater though still modest fall in fertility rates. However, if fertility rates continue to fall at their recent rate—faster than what is projected—the DOF numbers might overstate K–12 enrollments in years 6 through 10 of the projection, when these children reach kindergarten age. The DOF has better information about the number of children born in the past five years, which affects the projections for years 1 through 5. The assumptions about intra- and inter-state migration and international immigration are critical to these years.

The causes of the persistent decline in birth rates are not well understood. And many factors affect migration, including the economy, home prices, and federal immigration policy. Given these uncertainties, state and district policymakers ought to consider future scenarios in which enrollment declines are even greater in magnitude than anticipated.

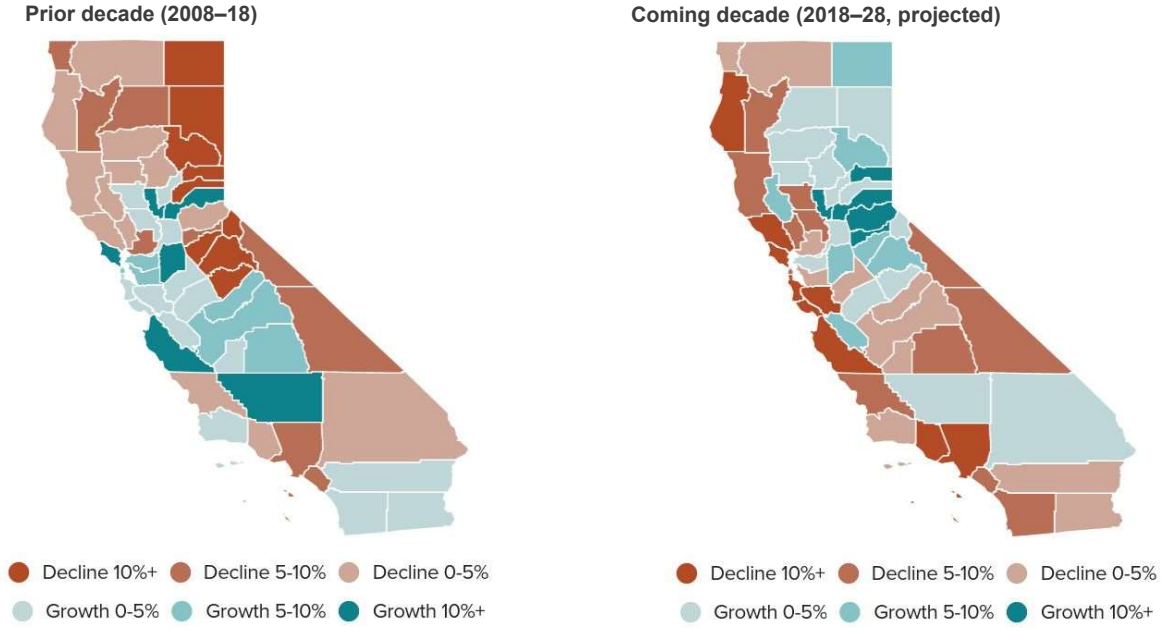
Most Counties Are Projected to Lose Students or See Modest Growth

From 2008–09 to 2018–19, 30 counties lost enrollment (230,000 students in total), and 11 counties lost more than 10 percent of their student base. Projected county-level declines over the next decade are larger: 31 counties are projected to see enrollment declines, losing 478,000 students. However, the state forecast also projects slower growth in *growing* counties—only 50,000 additional students in the 27 counties with growing enrollment over the next 10 years, compared to about 165,000 over the past 10 years.

Significant declines are projected for several of the state's larger counties. Six counties—Los Angeles, Marin, Santa Clara, Santa Cruz, Sonoma and Ventura Counties—are expected to decline by more than 15 percent over the decade. Almost all Bay Area county enrollments are expected to fall; the exception is Contra Costa County, where enrollment is expected to grow 0.7 percent (Figure 5).

FIGURE 5

Future declines projected in most coastal regions



SOURCE: California Department of Finance.

NOTE: Figure shows percent change in enrollment for each county. The left panel shows the change over the past decade, from 2008–09 to 2018–19, while the right panel shows the projected change in the coming decade, from 2018–19 to 2028–29.

Implications of Declines for Districts

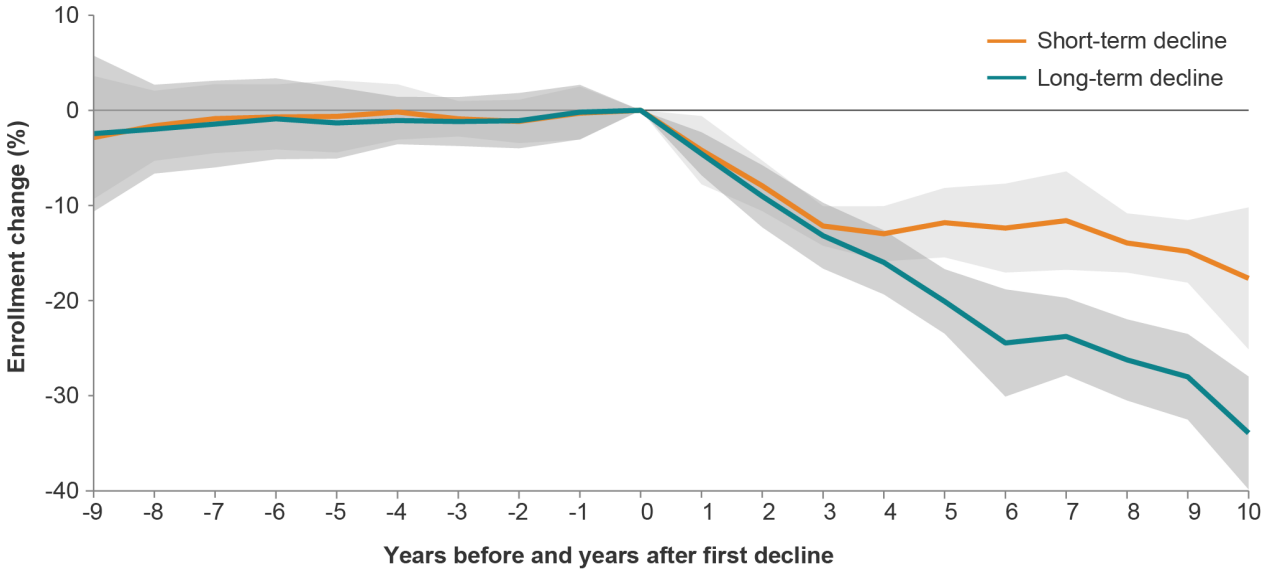
The DOF's forecast for K–12 enrollment does not include district-level projections. This is in part because district-specific changes are harder to predict: given that roughly 1,000 districts enroll anywhere from more than 600,000 to fewer than 10 students, there are a host of local influences that may not be reflected in state- or county-level trends. For instance, families often move from one neighborhood to another within the same county. Indeed, *local* migration is much more common than migration between counties or to other states. Projecting district enrollment trends requires more data and an in-depth knowledge of local economic and social forces. Below, we look at districts that have experienced declining enrollment to gauge the size and duration of those declines and the size and type of district budget cuts in response to lower state funding.

District-level declines tend to be large and long lasting

To better understand the average district in decline, it is useful to zoom in to the time a district first began experiencing declines.[3] On average, three years after the beginning of a decline, district enrollment decreases almost 15 percent (Figure 6).[4] Districts with short-term declines—which do not continue for four consecutive years—see permanently lower levels of enrollment, and tend to experience additional declines several years later. In districts with long-term declines, which continue unabated for four or more years, enrollment typically does not stabilize; eight or more years after declines begin, enrollment levels are more than 30 percent below pre-decline levels, and most continue to decline.

FIGURE 6

The typical multi-year decline is large and long lasting



SOURCES: California Department of Education; author calculations.

NOTES: "0" is the year prior to a decline, and "1" is the first year of a decline. Shaded areas show 95 percent confidence intervals of estimated effects. Estimates use district-level data from 1996–97 to 2017–18. Coefficients are estimated according to equation (2) in Technical Appendix B. Districts with fewer than 250 students are excluded.

Revenue loss exceeds direct savings from fewer classrooms

A simple example can help illustrate the fiscal difficulties faced by districts with declining enrollment (Table 1). Suppose a district's average daily attendance (ADA) falls by 100 students.[5] With per pupil funding of $12,600 annually, this translates into lost revenues of $1.26 million in one year. With 100 fewer students, the district can eliminate four teaching positions,[6] generating savings of $556,300. Factoring in the savings on books and supplies for that classroom brings the total to $611,000, slightly less than half of the total revenue loss.

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[3] The figure looks at districts that experience three consecutive years of 1 percent or greater reductions in enrollment, following at least two consecutive years with stable or growing enrollment.

[4] Figure 6 plots "event study" estimates of the percentage change in enrollment relative to the year prior to the district's first substantial decline. Estimates use district-level data from 1996–97 to 2017–18. See Technical Appendix B for further detail on the data and empirical specifications.

[5] The Local Control Funding Formula (LCFF) is based on average daily attendance, which differs slightly from enrollment in that it excludes students who are enrolled but absent from school.

[6] Here we consider class sizes of 25 students, about average for the state in 2017–18. For students in kindergarten through grade 3, class sizes are around 23 students but are above 27 on average in grades 4–6. (California Department of Education n.d.).

TABLE 1

Classroom savings from lower enrollments represent only about half of the revenue loss in this hypothetical scenario

Per pupil funding reduction	Average funding per pupil	$12,600
	ADA decline	100
	Total funding reduction	$1,260,000
Savings from fewer classrooms	Students per classroom	25
	Teachers laid off	4
	Teacher compensation reduction	$556,300
	Books and supplies for 4 classrooms	$54,700
	Total cost savings	$611,000
Additional cuts required		$649,000

SOURCES: California Department of Education and authors' calculations.

NOTES: Per pupil revenues and cost data derived from the Standardized Account Code Structure as displayed on the Ed-Data website.

Of course, districts can cut other variable costs: pupil services and classified instructional positions can be eliminated, or staff hours can be reduced in proportion to the reduced workload. However, some costs are fixed in the short run (e.g., capital, maintenance, debt service), and others—such as administrative positions—cannot easily be proportionally reduced due to economies of scale.

Moreover, this example comes close to a "best case" scenario: in many cases, declines occur across several classrooms, grades, and schools, making it more difficult for a district to reduce the number of classrooms in direct proportion to the reduction in the number of students. To make additional cuts, district fiscal officers may need to look at other possibilities. Can the district reduce support service staff, such as counselors, nurses, or teachers' aides? Can it increase efficiency in central office operations? Or will the district have to increase class sizes? We can gain some insights by looking at how districts have responded to past declines.

District declines lead to large spending cuts, but *per pupil* spending increases

When we examine district-level changes in spending in the midst of a declining enrollment spell, we find that overall spending declines while *per pupil* spending actually increases slightly (Technical Appendix B).[7] This is primarily due to the one-year adjustment that ensures current-year funding levels based on prior-year ADA if enrollment declined. For districts with sustained declines, this leads to persistently higher levels of per pupil spending. In those with more short-lived declines, per-pupil spending reverts to pre-decline levels. There is also some evidence of increases in other local (non–funding formula) revenues, but their extent is limited: compared to the five years prior to the district's decline, these revenues increase by about $150 per student (7%).

[7] Changes are estimated relative to a district's financial or staffing levels prior to its first decline, relative to all other (non-declining) districts in the state in a given year. See Technical Appendix B for more detail.

Districts retain experienced teaching staff while maintaining teacher-pupil ratios

When districts make staff cuts, they are required to follow a "last in, first out" (LIFO) policy; this often requires them to release their least-experienced (and least-expensive) teachers, independent of quality.[8] We find that on average, the share of novice teachers in a district declines by more than 2 percentage points (or 13 percent), while average teacher experience increases by one year (relative to a baseline of 13 years on average). Districts eliminate teaching, pupil services, and other staff positions, but typically maintain pre-decline pupil-staff ratios, despite retaining a more experienced (and more expensive) teaching force.

Districts tend to downsize across schools rather than close them

We find evidence that declines lead to smaller average school sizes but do not reduce the number of schools in a district (technical appendix Figures B6 and B7). While large declines may eventually make school closures inevitable, research shows that the short-run savings from closures are often smaller than most expect because the cost of maintaining closed facilities eats into the savings from reductions in school staff (Dowdall 2011). Moreover, schools are often highly valued by their local communities; many closures are contentious and vigorously opposed by students, parents, and educators.

Declining Enrollment Has State Budget Implications

Declining enrollment is tied to the state budget in two important ways. First, the state K–12 budget includes a declining enrollment adjustment that shields districts from the negative financial impact of enrollment changes for one year. Second, declining enrollment affects the calculation of the Proposition 98 minimum funding guarantee for K–12 schools; for the next several years, it will lead to a modest increase in per pupil funding.

Funding for the Declining Enrollment Adjustment Is Increasing

As the number of districts in decline has increased, the declining enrollment adjustment has risen (Figure 7). In 2014–15, the one-time attendance adjustment totaled about $600 million. By 2018–19, the adjustment reached approximately $925 million, a 53 percent increase.[9] The DOF demographic projections for the next decade suggest that many more counties (and hence, districts) will be in decline, so it is likely that expenditures for the adjustment will continue to increase.[10]

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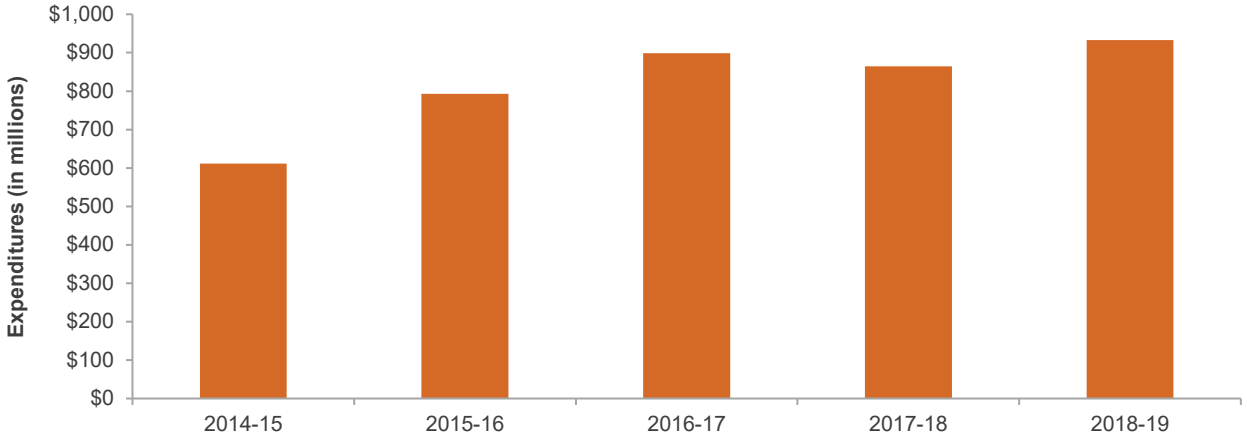
[8] California is one of a handful of states that require school districts to follow a "last in first out" (LIFO) policy. This policy includes exceptions for teachers with specialized math/science credentials, special education credentials, English language development credentials, or specialized training in other high-need programs. See Legislative Analyst's Office 2012 for a detailed review of the teacher layoff process in California.

[9] Interestingly, the average per-student amount of the declining enrollment adjustment increased only 2 percent over this time, as the mix of losses shifted to younger, less expensive grades. LCFF funding rates are higher for grades 9–12 and K–3 than for grades 4–6 and 7–8. Over the five years, for instance, enrollment declines in the high school grades (the highest rate) were fairly consistent while declines in the 4–6 grades (the lowest rates) increased 250 percent. Thus, the rising impact of the declining enrollment adjustment was caused almost entirely by the larger decline in the number of students from 2013–14 to 2018–19.

[10] An exact estimate of this cost increase depends on the enrollment trends in all districts, not just counties, which we do not estimate in this report.

FIGURE 7

Expenditures to pay for the declining enrollment adjustment have increased



SOURCES: California Department of Finance and author calculations.

NOTES: Figure shows calculations of the total sum of the declining enrollment adjustment, based on district ADA and funding rates. Charter schools are excluded.

The funding adjustment has helped districts avoid significant fiscal woes. The Fiscal Crisis Management Assistance Team (FCMAT) recently reported that, out of hundreds of districts experiencing falling enrollments, only six were certified in 2018–19 as unable to meet their financial obligations over the next three years. Another 26 districts were at risk of being unable to meet their financial obligations over the next three years. This is a small number—during the Great Recession, as many as 176 districts were financially at risk. (Financial Crisis and Management Assistance Team 2019).

But the path forward may be more difficult. District and county fiscal staff we interviewed reported that the large increases in state and local funds over the past decade softened the fiscal impact of enrollment declines. Funding increases are likely to be more modest in future years, however; this will make it more challenging for districts to cope with a shrinking revenue base.[11]

Declining Enrollment Leads to Higher Per Pupil Funding under Proposition 98

One of the budgetary consequences of falling enrollment will be positive: it will increase in Proposition 98's per pupil funding levels.[12] Proposition 98 uses one of three formulas—known as "tests"—to set yearly minimum guaranteed funding levels for K–12 schools and community colleges. For most of Proposition 98's history, enrollment has been growing and funding levels have been determined by Tests 2 or 3, both of which factor in attendance. But given the continuing decline in enrollment, it appears that Test 1 will be used to set the minimum guarantee in the near future.

[11] From 2013–14 to 2018–19, state and local Proposition 98 funds increased 5.9 percent annually. Over the next five years, the Legislative Analyst's Office projects Proposition 98 funding will increase 3.8 percent each year on average. The difference represents about $1.6 billion a year, or $270 per student.

[12] Proposition 98, approved by voters in 1988, guarantees a minimum amount of state spending on K–12 schools and community colleges. Proposition 98 bases funding in part on average daily attendance, which excludes students who are enrolled but absent from school.

Test 1 sets funding at roughly 38 percent of the General Fund plus local property taxes. This results in a modest increase in per pupil revenues for schools. The Legislative Analyst's Office (LAO) anticipates that Test 1 will be the operative Proposition 98 test for the next four years. Its forecast assumes attendance declines of about 3 percent from 2019–20 to 2023–24; as a result, K–12 schools and the community colleges would have about $2.8 billion in additional discretionary funds, or about $100 per student each year on average (Legislative Analyst's Office 2019).[13] Even if a recession hits, it is likely that Proposition 98 funding will continue to be based on Test 1, with the minimum guarantee adjusted downward to reflect the drop in state revenues. But there would be no downward adjustment to reflect declining enrollment.[14] (For more information, see Technical Appendix D.)

The State Can Take Steps to Help Districts Adjust

The state's one-year fiscal protection for declining enrollment has allowed most districts the time to make needed adjustments. Looking forward, however, districts are facing several fiscal strains, including falling enrollment, and it is likely that state funding increases under Proposition 98 will be smaller than they have been in the past five years. The governor and legislature can make two budget changes that would help districts that face enrollment declines.[15]

Increase technical assistance to districts. Districts need to get an early read on enrollment trends and take actions to prepare for any future budget pressures. The state can assist districts by creating and distributing information on best practices for tracking enrollment trends and managing declines. FCMAT plans to provide training on the topic to districts that are willing to pay for it. The state could increase the FCMAT budget so that districts can receive free or subsidized training.

Given that many districts have successfully addressed declining enrollment, the state could also pay FCMAT to develop a guide to planning and operational practices used by district fiscal officers in different types of communities and districts.[16] The guide would cover enrollment forecasting, early planning, and working with teachers, principals, and communities to find operational savings (including school closures).

Use Proposition 98 funds to increase base funding. We see no alternative to reducing total funding to districts when enrollments decline (after the one-year adjustment). We considered whether the state should base the declining enrollment adjustment on the average of the past three years of attendance (as some other states do). But the small number of districts currently in fiscal trouble suggests that the one-year adjustment is sufficient in most cases. Filling budgetary holes in districts that have permanently lost enrollment would give them an even larger per pupil funding advantage than they currently receive from the one-year declining enrollment adjustment.

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[13] These numbers are based on the LAO's November 2019 "growth" forecast, which projects attendance declines over the next four years that are somewhat larger than the DOF's enrollment projections. We estimate that the DOF's projections would generate a per pupil increase of about $90 a year.

[14] Per pupil amounts for schools would fall because of lower General Fund, but the situation would be slightly better for schools than if Tests 2 or 3 were in effect.

[15] We considered other policy changes that could help shrinking districts but decided against recommending them. For instance, we considered a "sparsity adjustment" to acknowledge the higher average costs—and reduced financial flexibility—that make falling enrollment especially challenging for most small rural districts. However, sparsity is not a product of declining enrollment. We also considered suggesting exceptions to the LIFO layoff rules that would give declining districts greater flexibility in staffing reductions. This area of state policy is highly contested, however, and districts have other tools (such as retirement incentives) to manage their workforce.

[16] This agency is funded by the state to provide fiscal support to districts and county offices of education. It also conducts studies of district fiscal issues, and has conducted in-depth audits of several districts that are struggling to cope with declining enrollment.

That goes against the state's objective of equal funding for similar districts. Moreover, increasing the adjustment beyond one year would only provide temporary relief, delaying future cuts at significant cost to the state.

A more sensible option would be to use the extra funds generated by the Proposition 98 Test 1 increase to boost the LCFF base grant for all districts.[17] Under current law, the LCFF formulas are revised each year to account for changes in enrollment and inflation (and to calculate any declining enrollment adjustment). Increasing base grants would give shrinking districts more resources without deviating from the current funding structure. It would also help districts with other fiscal stresses, such as rising special education and pension costs.

The governor and legislature could consider some changes to the existing declining enrollment adjustment. Extending declining enrollment protection to charter schools would give these schools the same one-year protection as regular district schools. The state could also provide greater protections when district enrollment drops are large and sudden. This would place a percentage floor on the loss of attendance in any one year.

Conclusion

The past 10 years have demonstrated that most districts are able to cope with declining enrollment. But in the coming decade districts may face a stiffer financial test, as a faster decline in enrollments coincide with slower revenue growth and other cost increases. We have outlined state actions that can help all districts deal with these challenges. However, future drops in enrollment may be larger than forecast by DOF, and we suggest that policymakers monitor the impact of district declines and ensure that faltering districts receive the attention and assistance needed to return to financial health.

While declining enrollment poses many challenges, there is a silver lining: the reduction in the K–12 population will increase per pupil funding under Proposition 98, giving state policymakers additional resources to help districts facing multiple fiscal challenges, including budget cuts due to falling enrollment. The declining K–12 population also reduces Proposition 98's share of the General Fund, freeing up funding for program priorities in any part of the budget. With some long-range planning and continued economic growth, the decline in K–12 enrollment could allow the state to rethink its budgetary priorities and make significant investments in new programs.

[17] The LCFF is distributed using three formulas: one is designed to support the base cost of educating all students. The other two—known as supplemental and concentration grants—provide additional support for students with greater educational needs, and are distributed based on the number and share of low-income, English Learner, and/or foster care students.

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