



# Declining Enrollment in California Schools

Fiscal Challenges and Opportunities in the Coming Decade

February 27, 2020

Paul Warren, Julien Lafortune

---

with research support from Radhika Mehlotra



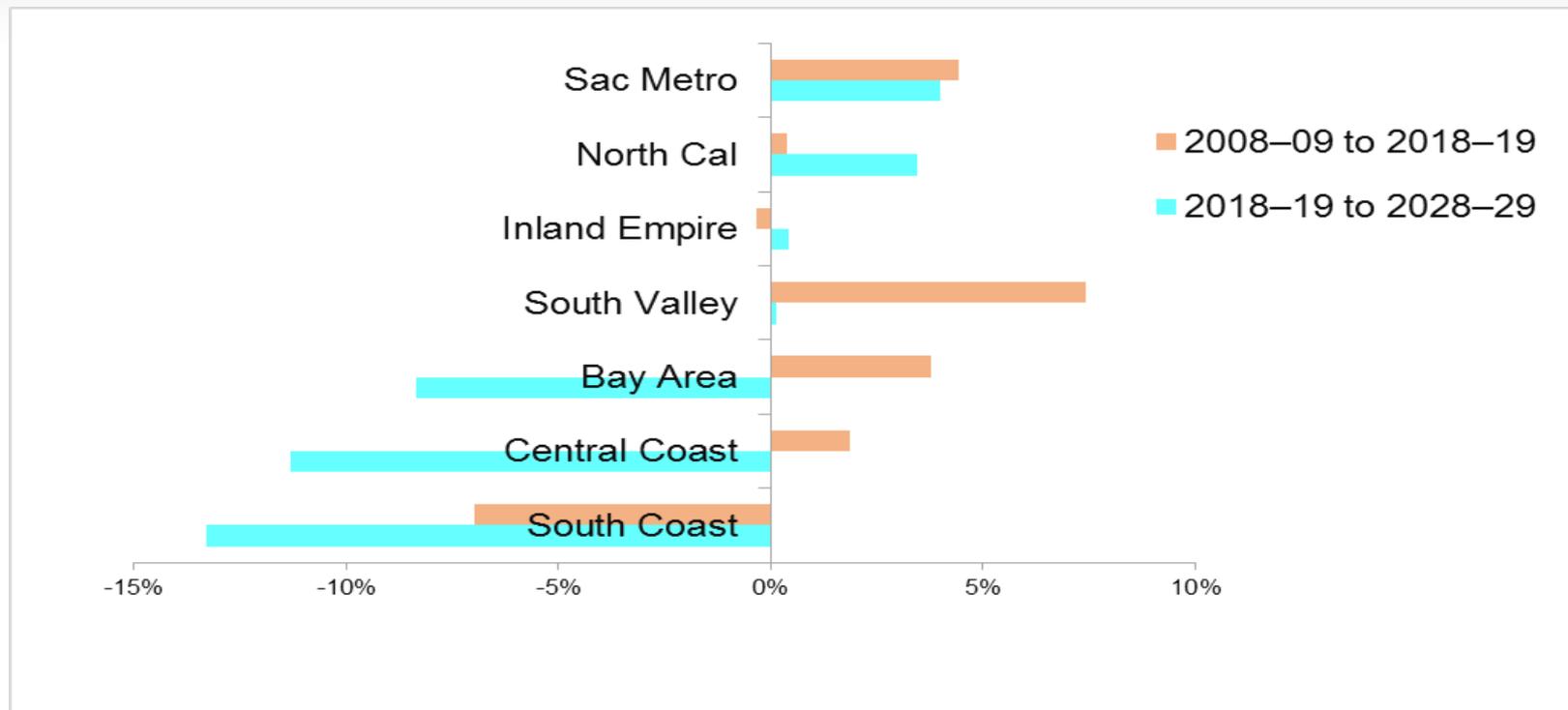
**PPIC**

PUBLIC POLICY  
INSTITUTE OF CALIFORNIA

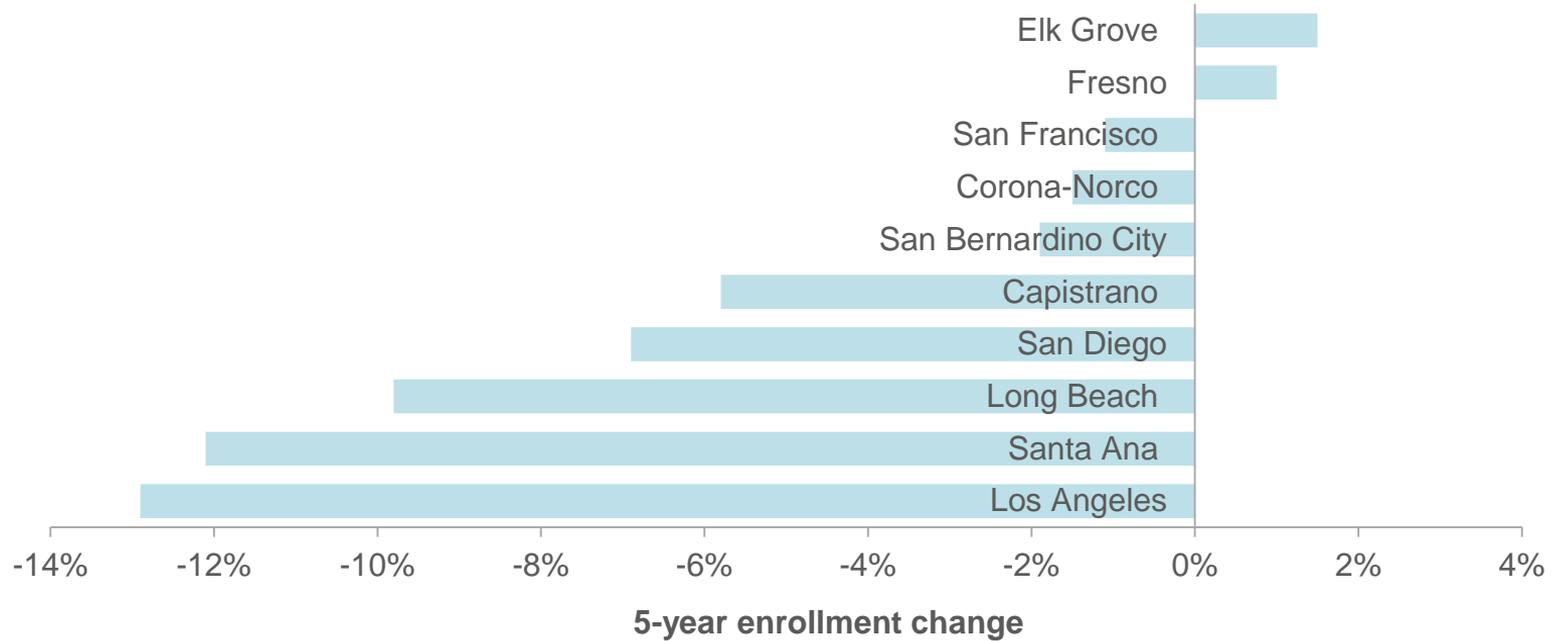
# Enrollment declines in California's K–12 system are projected to intensify

- The Department of Finance projects a 7% statewide decline by 2028–29, compared to 1.5% over the past decade
- Districts with falling enrollment face financial pressures
- Declining enrollment has state budget implications
- The state can help districts adjust to lower enrollment

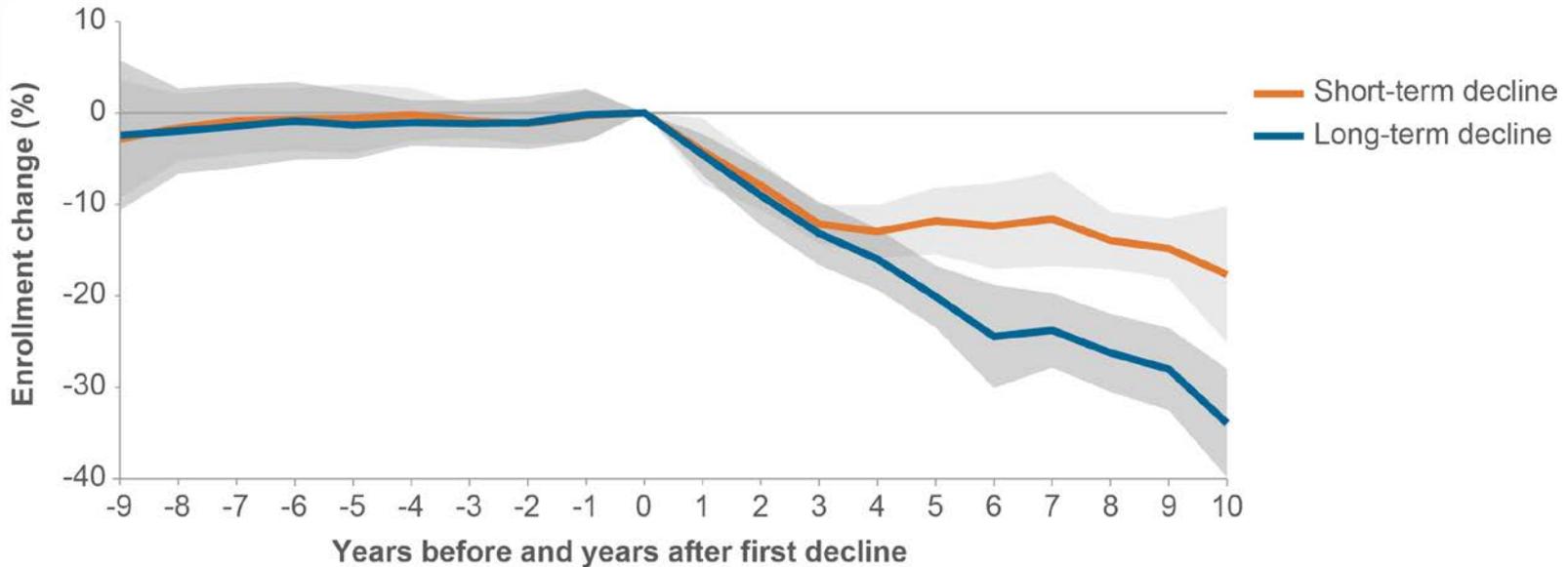
# Coastal areas will see significant declines



# Enrollment declined in eight of the ten largest districts over the past five years



# District enrollment losses take place over many years



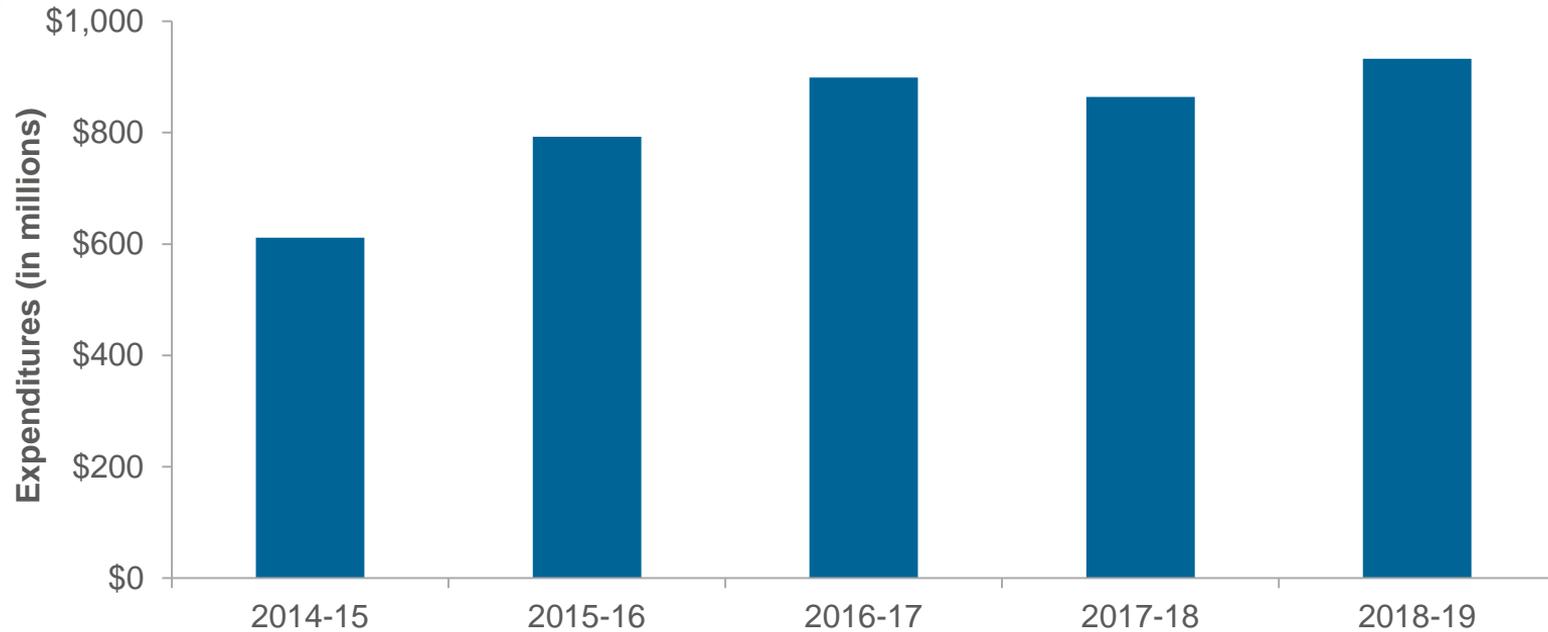
# Fewer students lead to lower revenues

- When average daily attendance (ADA) falls, districts lose funding
- At best, direct savings from fewer students add up to about half of ADA revenue losses
- The state cushions each yearly revenue loss with a one-year declining enrollment adjustment
  - Funding is based on higher prior-year ADA
- Multi-year ADA declines require districts to make budget cuts

# Most districts are able to adjust to lower enrollment

- The declining enrollment adjustment boosts district per pupil spending
- Districts retain experienced teachers while maintaining teacher-pupil ratios
- Districts shrink schools rather than close them

# The short-term cost of the state's declining enrollment adjustment is increasing



# A Proposition 98 “dividend” could help all districts

- Funding will be determined by Prop 98’s Test 1 for the next few years
- Under Test 1, funding is not adjusted for enrollment
  - Under Tests 2 and 3, Proposition 98 is reduced to reflect the decline in enrollment
- We estimate increases in per pupil funding of about \$100 a year for the next several years

# The state can help districts address budget challenges

- Use Proposition 98 dividends to increase the LCFF base grant for all districts
  - Helps districts with a range of financial challenges—pension costs, special education, and declining enrollment
- Budget for technical assistance to declining districts
  - Current financial strains raise the risk of crises triggered by enrollment declines



# Declining Enrollment in California Schools

Fiscal Challenges and Opportunities in the Coming Decade

February 27, 2020

Paul Warren, Julien Lafortune

---

with research support from Radhika Mehlotra



**PPIC**

PUBLIC POLICY  
INSTITUTE OF CALIFORNIA

## Notes on the use of these slides

These slides were created to accompany a presentation. They do not include full documentation of sources, data samples, methods, and interpretations. To avoid misinterpretations, please contact:

Julien Lafortune (lafortune@ppic.org; 415-291-4473)

Thank you for your interest in this work.