

Declining Enrollment

LEGISLATIVE ANALYST'S OFFICE

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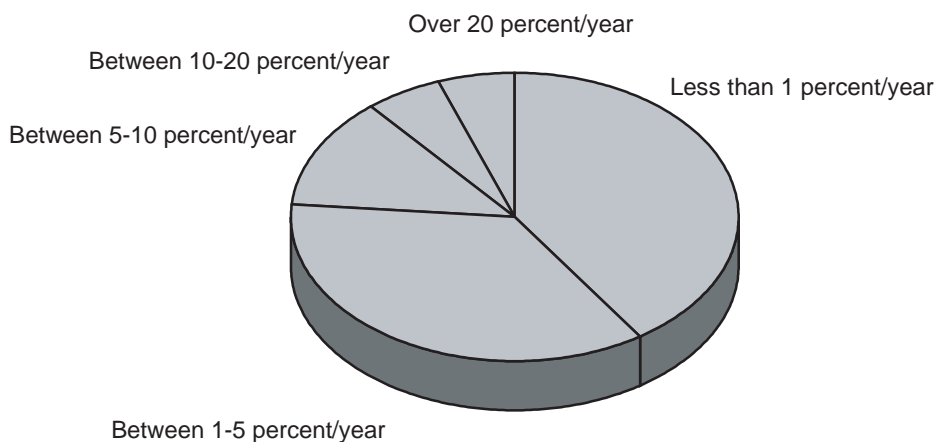
Declining Enrollment



Many Districts Are Facing Shortfalls Resulting From Declining Enrollment

- Approximately 42 percent of California districts experienced declining enrollments in 2003-04.
- Current law only protects districts for one year, which often is not enough to implement necessary changes.
- Three-quarters of declining enrollment districts are declining at a rate of less than 5 percent per year.

Rate at Which Declining Districts Are Losing Students





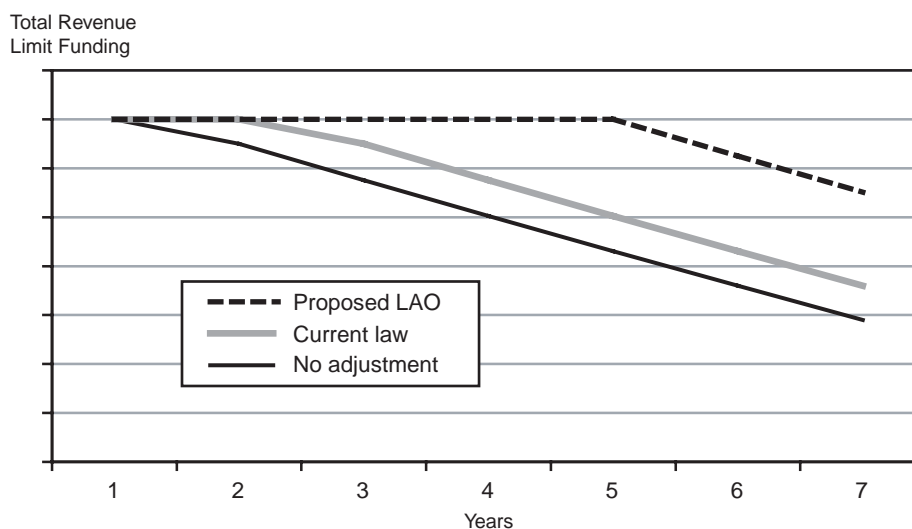
LAO Recommendation



Implement Revenue Limit Adjustment That Addresses Both Declining Enrollment Shortfalls and Funding Equalization

- Incrementally increase per-pupil revenue limits for declining districts until they reach state equalization targets.
- Allow these districts to maintain their *total* revenue limit funding levels from the year prior to the first year of decline.
- Once equalization targets have been met, districts can still take advantage of current law declining enrollment provisions, and districts will maintain the permanent benefit of higher per-pupil revenue limits.

Funding Options for Districts With Declining Enrollment

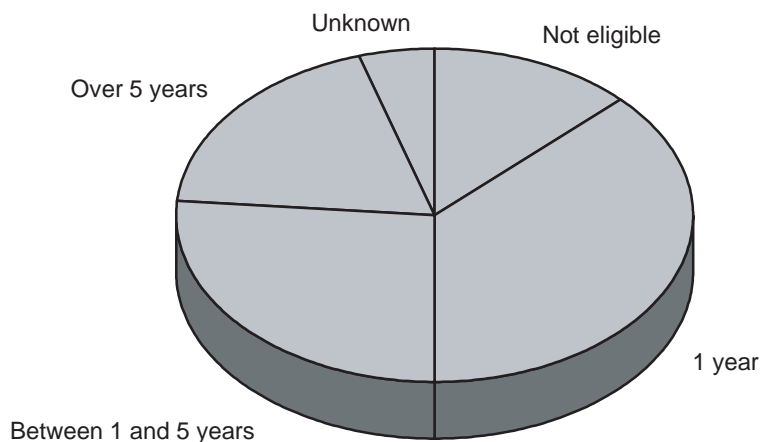


^aAssumes district experiences declining enrollment each year, beginning in year 2.



Implementation of LAO Recommendation

**Number of Years Declining Districts
Would Receive Per-Pupil Revenue Limit Increases**



- ☒ At least 80 percent of declining districts would be eligible for this adjustment.
- ☒ Around 40 percent of districts would reach equalization targets within one year. These districts would then benefit from permanently increased per-pupil revenue limits.
- ☒ These estimates are based on the past practice of equalizing using base revenue limits only. If revenue limit add-on programs were consolidated into base revenue limits prior to equalization, as LAO has recommended, more districts would receive increases for longer periods of time.



Advantages and Costs of LAO Recommendation



Advantages

- Helps protect districts that are losing students.
- Helps progress towards a more uniform funding system.



Costs

- 2005-06: No additional cost.
- 2006-07: Between \$25 million and \$60 million.
- Out-years: Estimated at between \$50 million and \$100 million per year.
- These estimates are based on the past practice of equalizing using base revenue limits only. Costs would likely increase slightly if revenue limit add-on programs were consolidated into base revenue limits prior to equalization.