

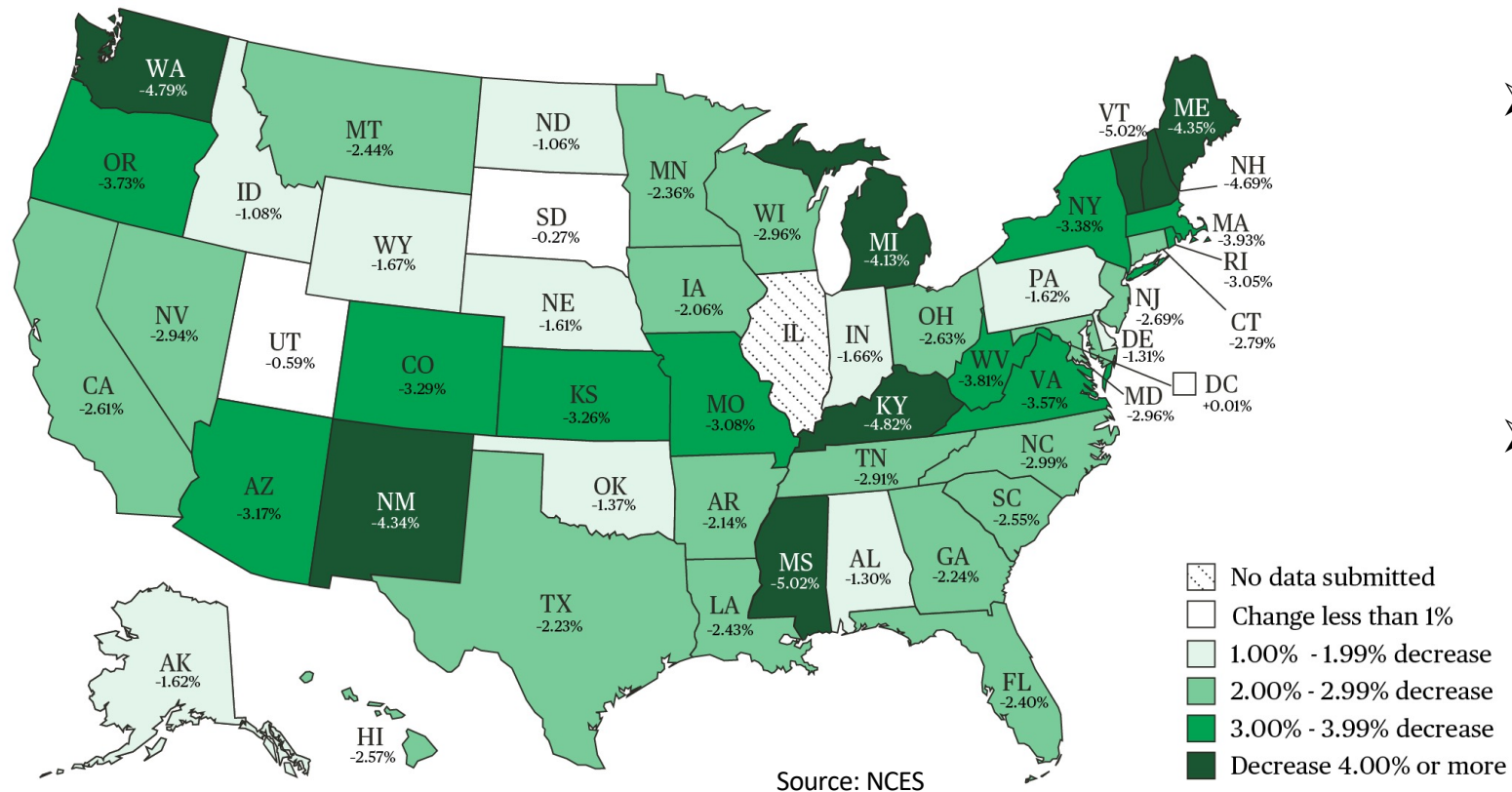
Fewer students are attending public schools.  
What does that mean for the future of school district  
finances?

Katherine Silberstein  
@K\_M\_Silberstein  
[KS1747@georgetown.edu](mailto:KS1747@georgetown.edu)

Chad Aldeman  
@ChadAldeman  
[CA903@Georgetown.edu](mailto:CA903@Georgetown.edu)

Marguerite Roza  
@MargueriteRoza  
[MR1170@Georgetown.edu](mailto:MR1170@Georgetown.edu)

# Public school enrollments fell 3% last year.<sup>1</sup> Will those students come back? To the same schools and districts?



- School district revenues are tied to the number of students they enroll
- Some districts suffered large enrollment losses over the last decade:
  - Los Angeles ↓ 28%
  - Philadelphia ↓ 21%
  - Chicago ↓ 15%
- A “COVID baby-bust” will further dampen enrollment numbers in the years to come<sup>2</sup>

Enrollment losses of even 0.75% can be financially destabilizing\*

<sup>1</sup> <https://nces.ed.gov/blogs/nces/post/new-data-reveal-public-school-enrollment-decreased-3-percent-in-2020-21-school-year>

<sup>2</sup> <https://www.brookings.edu/blog/up-front/2021/05/05/the-coming-covid-19-baby-bust-is-here/>

\* In 2017, Roza examined spending data from districts >20,000 with and without enrollment declines. A powerpoint covering the analysis and findings is available upon request.

Last year, state-level policies and an infusion of federal dollars temporarily inflated district budgets.

In 2020, many states implemented new or temporary “hold-harmless” provisions to protect districts with declining enrollment.

+

Meanwhile, Congress appropriated an **additional \$190 billion** for public education from March 2020-2021.

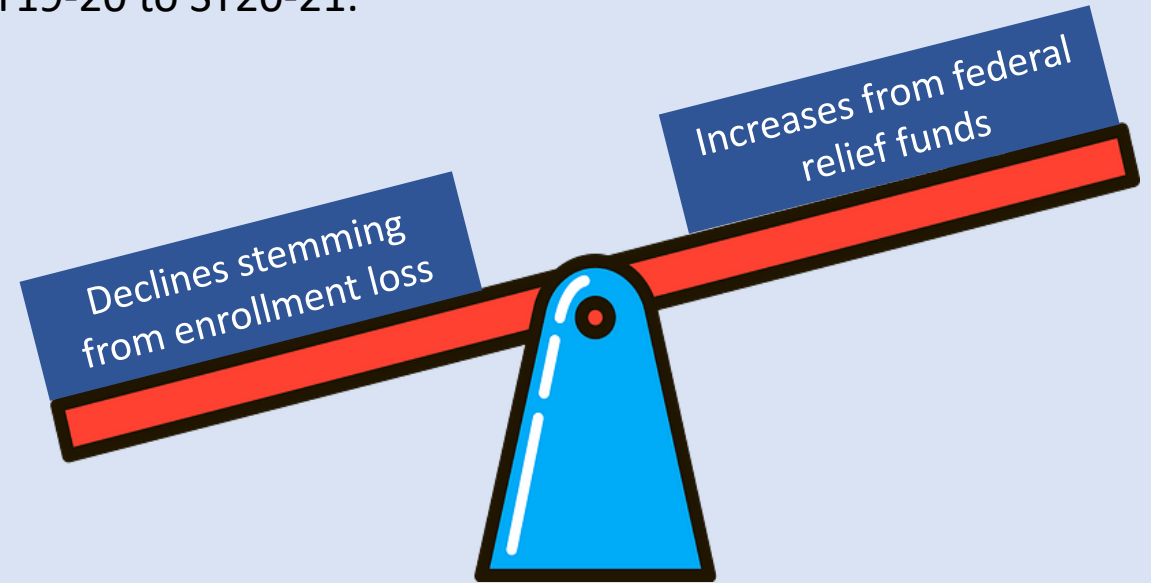
- ✓ CARES Act (ESSER I) – **\$13B**
- ✓ CRRSA Act (ESSER II) – **\$54B**
- ✓ ARP Act (ESSER III) – **\$123B**

= \$ \$

# Question: Are the federal relief dollars sufficient to offset potential revenue losses associated with enrollment declines?

We focused on districts with DECLINING enrollment from SY19-20 to SY20-21.  
We excluded small districts with < 1,000 students.  
That left **6,118 districts**.

*Then, we estimated each districts' budget decline due to enrollment losses<sup>1</sup> and compared it to the amount the district gained in federal relief dollars.<sup>2</sup>*

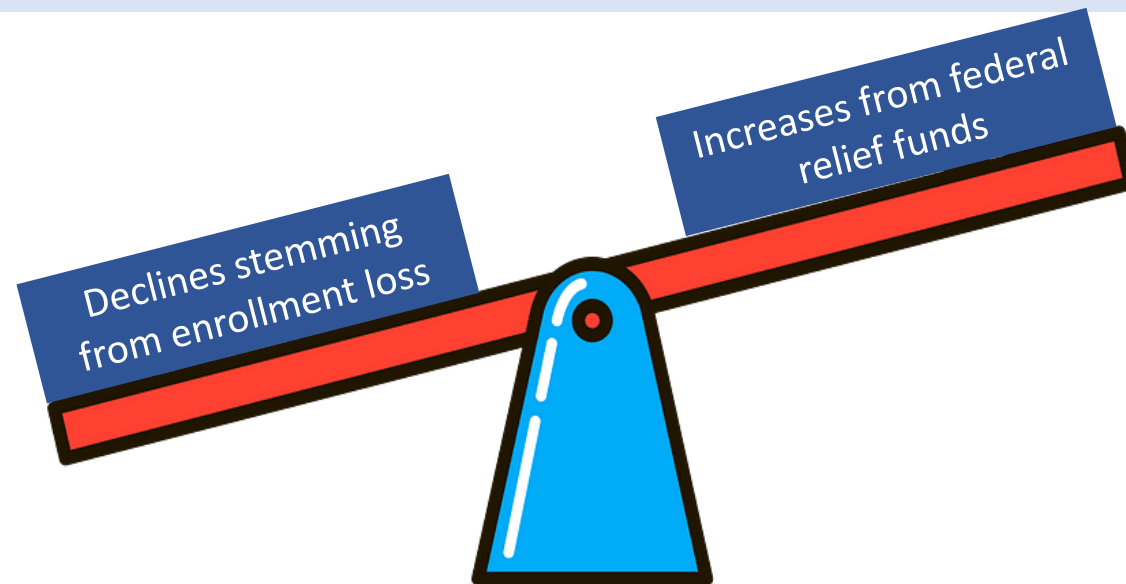


<sup>1</sup>FY17-18 budget data sourced from NCES' Elementary/Secondary Information System: <https://nces.ed.gov/ipeds/data/elsi/tableGenerator.aspx>, based on the assumption that an enrollment decline led to a proportional revenue decline.

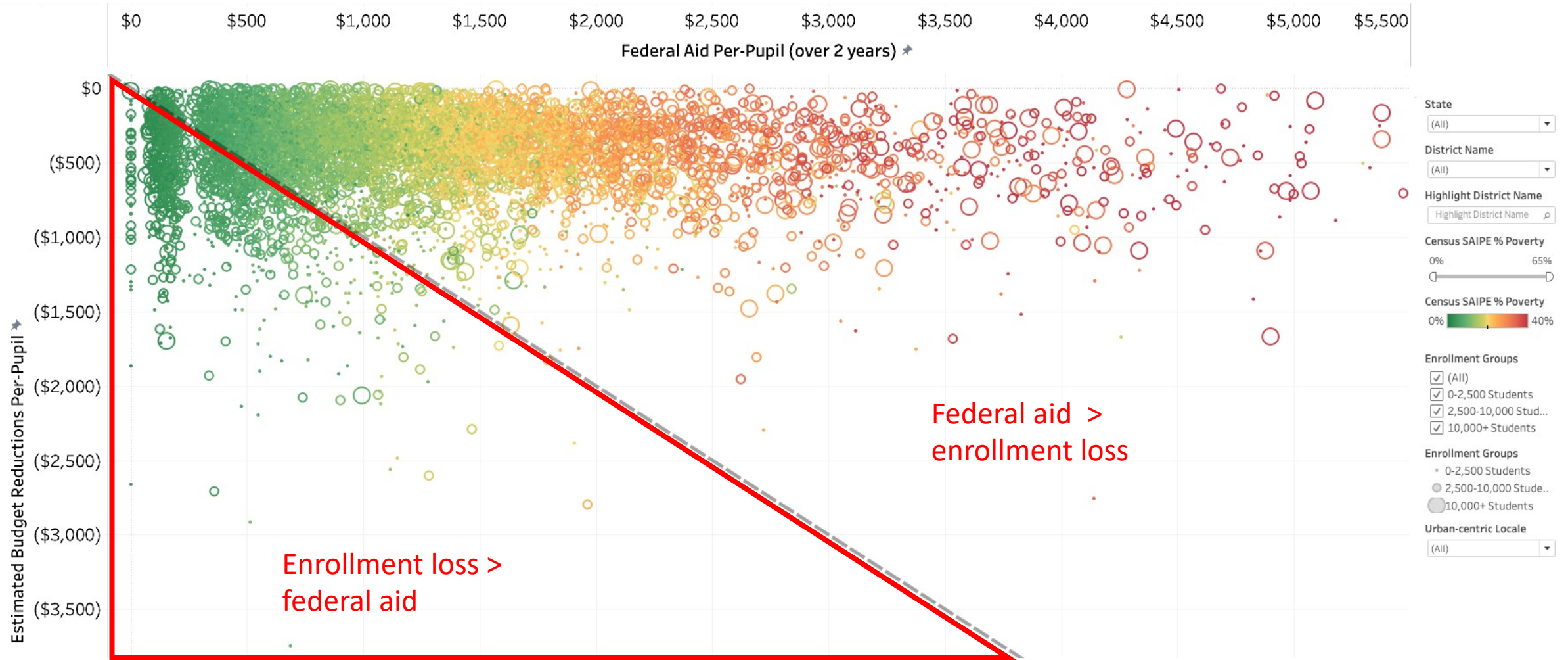
<sup>2</sup>ESSER II+III allocations sourced from Whiteboard Advisors tracker: <https://public.tableau.com/views/HR133ESSERStimulusAllocations/ESSERIIIII?:showVizHome=n&embed=y#2>, based on the assumption that districts spent their federal relief funds (ESSER II + III only) over two years.

For *most* districts, federal relief funds > losses due to enrollment drops.

1. 82% of districts received more in federal relief funds than they likely lost due to enrollment declines.
2. But 18% of districts had enrollment-triggered budget declines that were larger than their federal relief. Those districts tended to be small, wealthy, and concentrated in suburbs and rural areas.

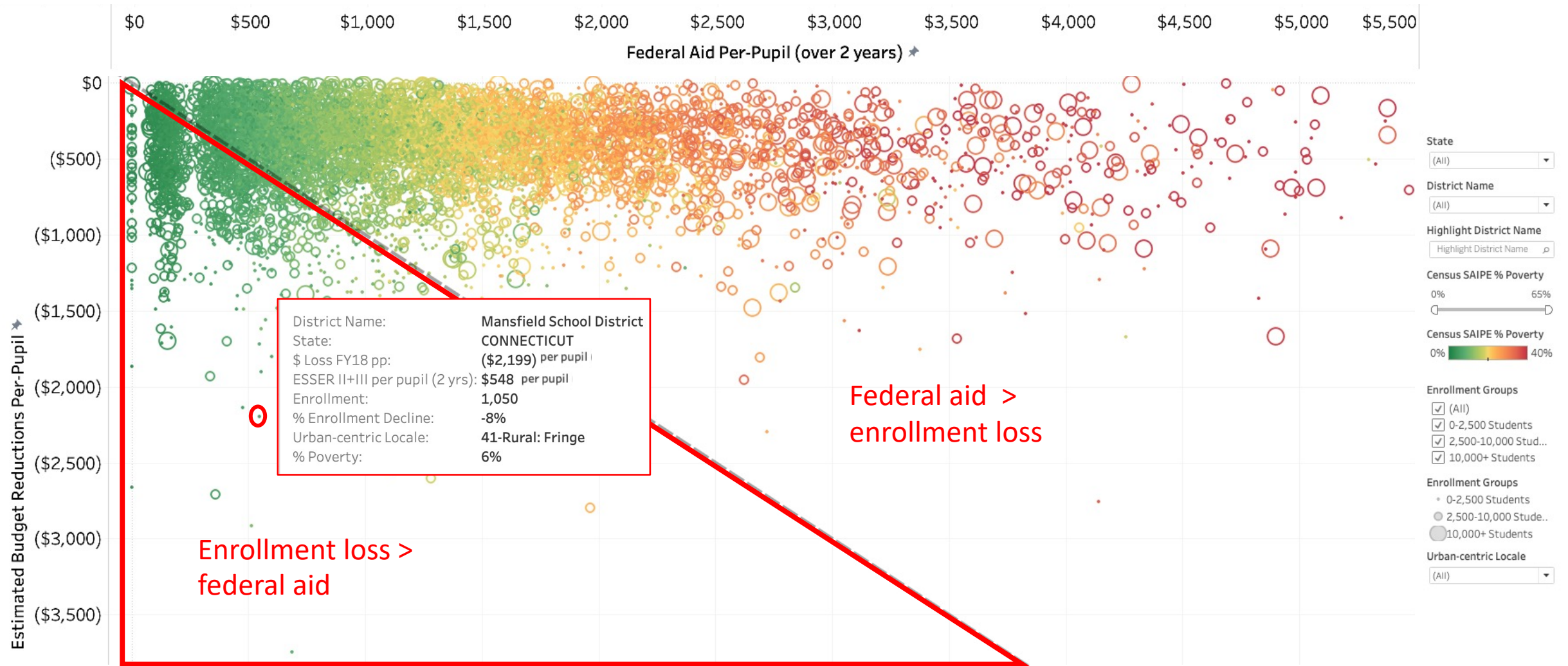


#1: Among districts with enrollment losses, 82% received federal aid amounts larger than their estimated losses from enrollment declines.





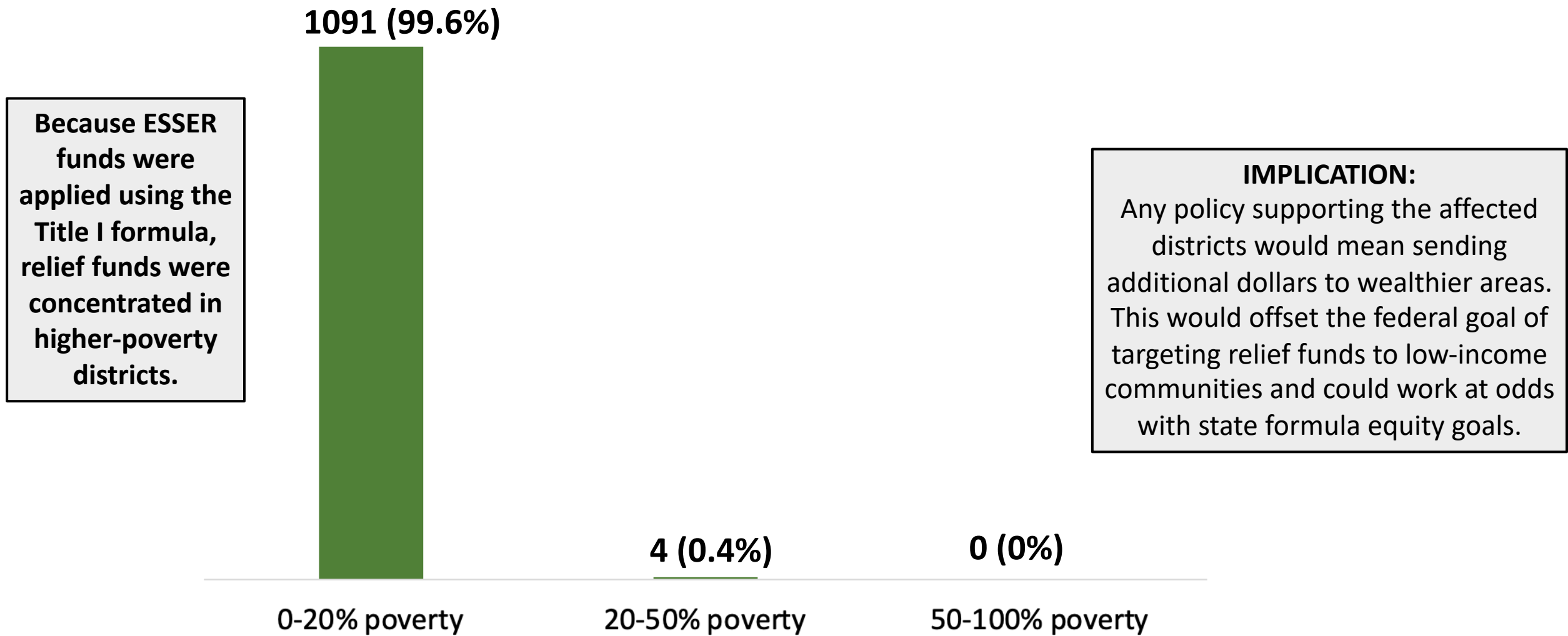
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[https://public.tableau.com/app/profile/edunomicslab/viz/EnrDeclines\\_ActualData/RealData\\_Dashboard](https://public.tableau.com/app/profile/edunomicslab/viz/EnrDeclines_ActualData/RealData_Dashboard)

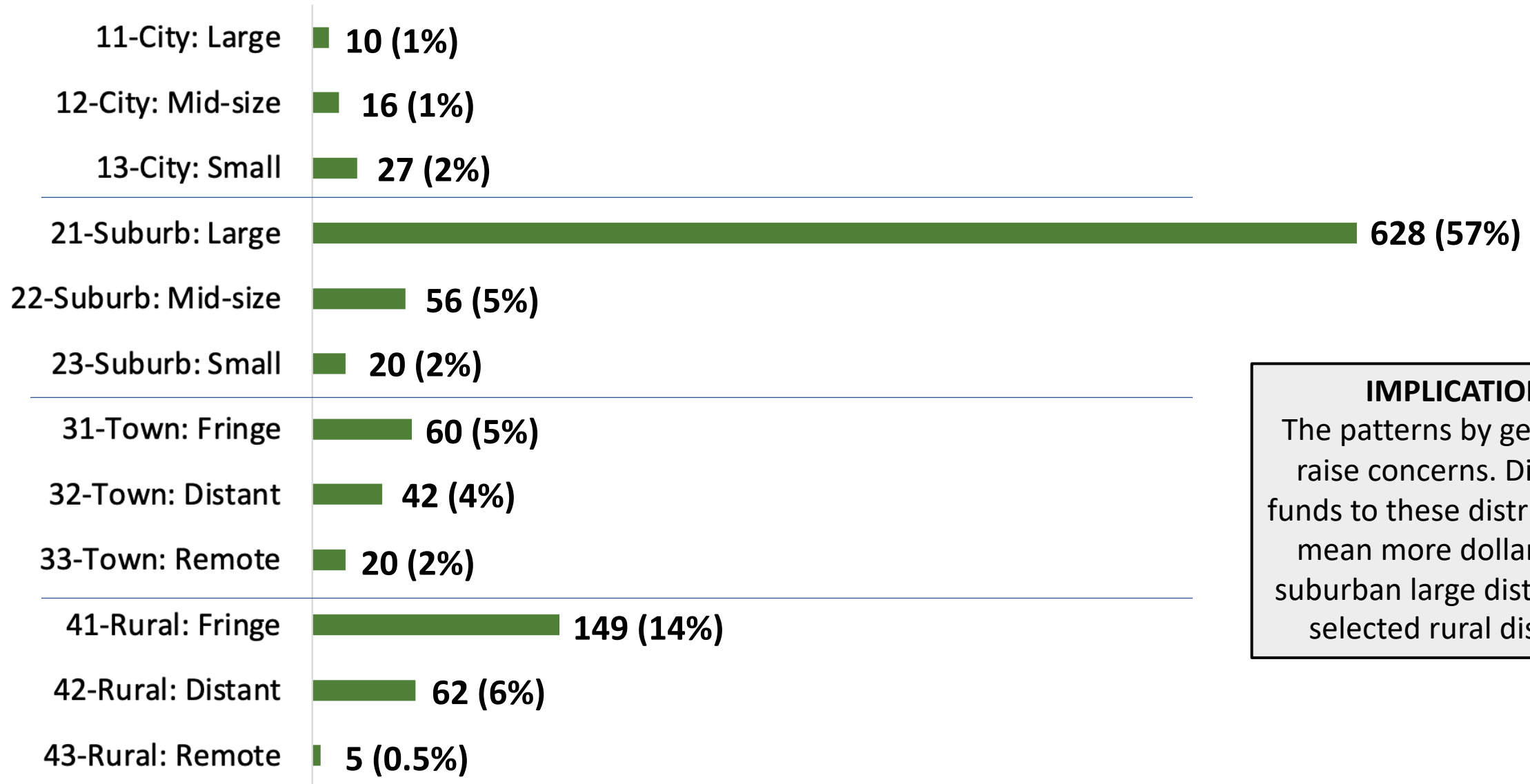


#2: Districts where federal aid was not sufficient to offset losses due to enrollment drops are almost exclusively in low-poverty areas.





## #2 (cont): These districts tend to be in large suburbs or rural areas.

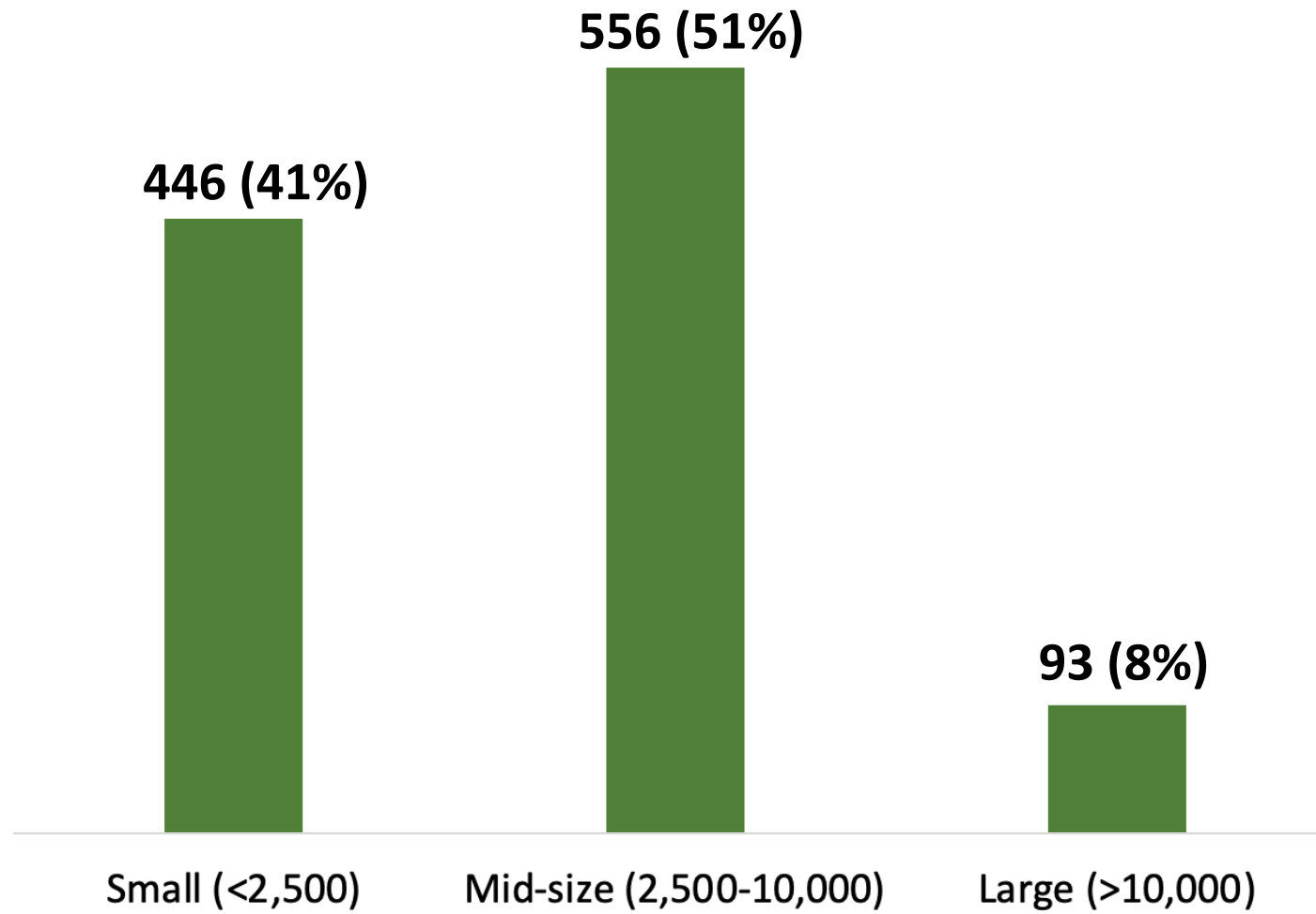


### IMPLICATION:

The patterns by geography raise concerns. Directing funds to these districts could mean more dollars go to suburban large districts and selected rural districts.



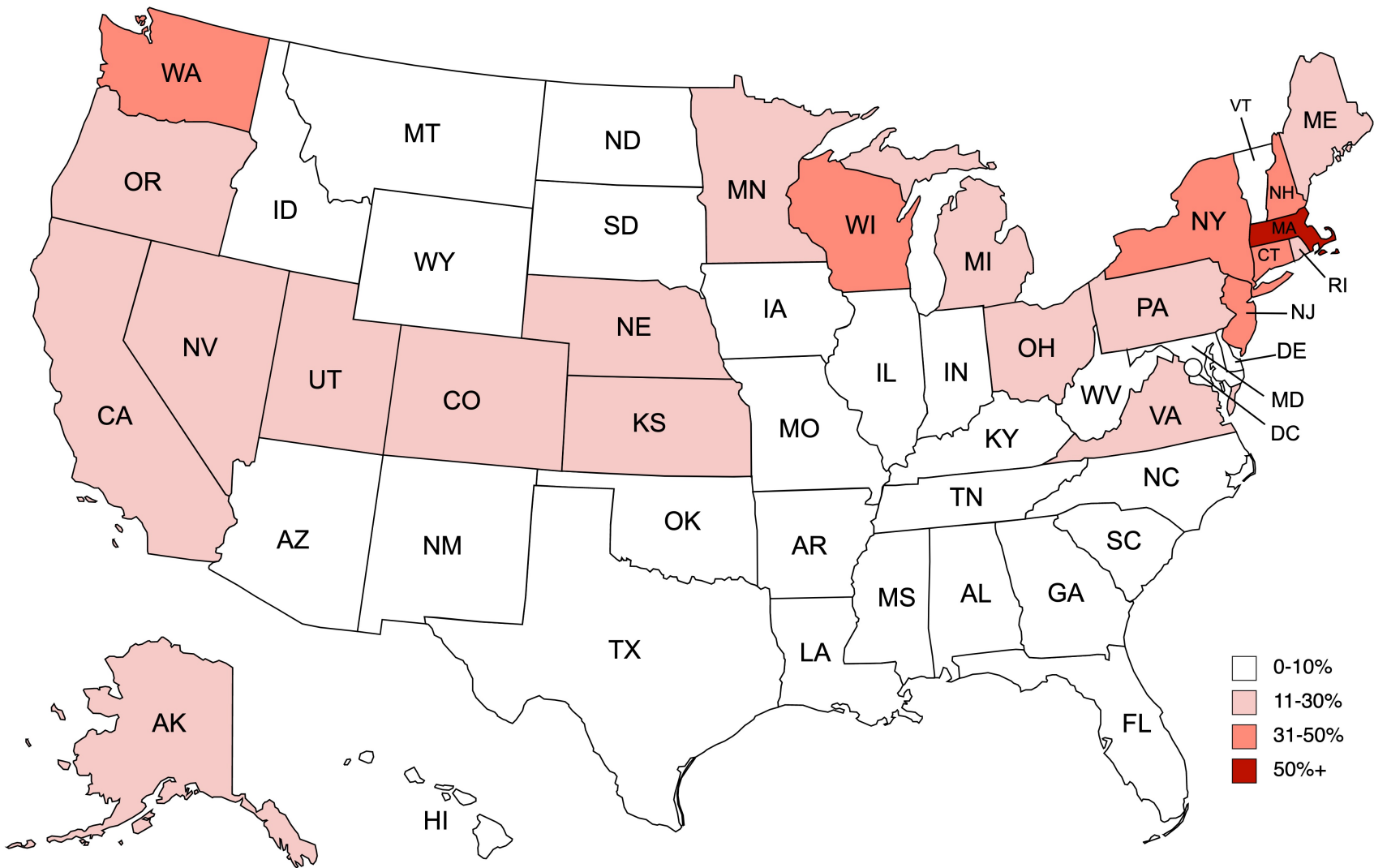
#2 (cont.): We found 1,095 districts where the federal aid funds were smaller than budget declines due to falling enrollment. Those tend to be small, mid-size districts.



**IMPLICATION:**  
States could try to provide extra funding for small and mid-size districts, but doing so might drive more dollars to smaller districts thereby subsidizing more expensive cost structures.



#2 (cont): These districts are heavily concentrated in Northeastern and Western states.



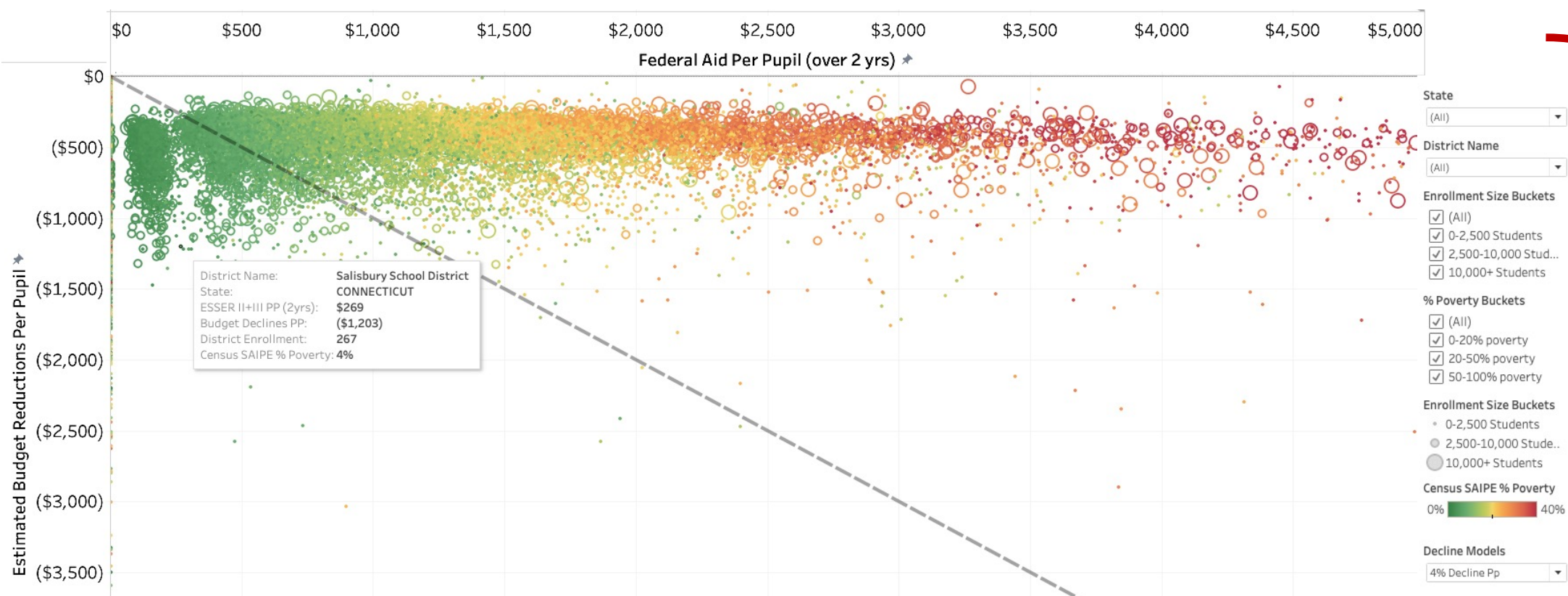
The following states have the greatest percentage of districts at near-term risk:

- ✓ MA = 63%
- ✓ NJ = 49%
- ✓ CT = 48%
- ✓ NY = 46%

**IMPLICATION:**

Leaders in these states can support district leaders by equipping them with strong financial skills to develop nimble budgets.

For all districts: Use our interactive tool to see financial impacts at various enrollment decline scenarios.



Look up districts in your state, sort by district size or poverty rates, or experiment with different hypothetical enrollment declines.

Beyond COVID-19, districts may face demographic shifts or declining birth rates. Preparing now can help mitigate financial pain later.



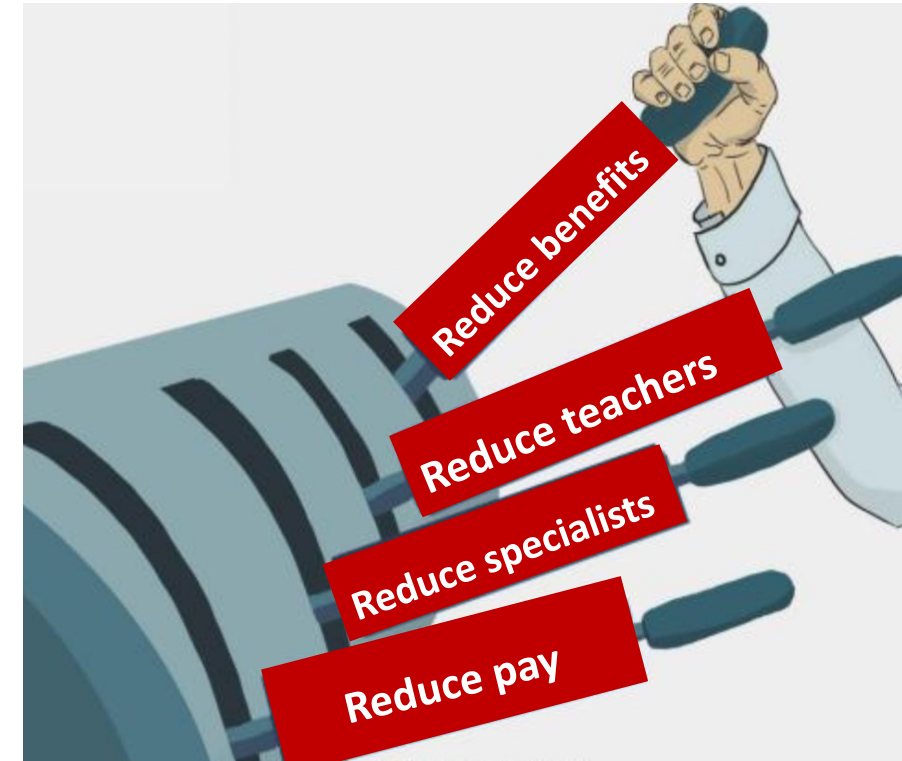
# How districts use their federal funds will determine the level of financial strain in the coming months:

- Districts that appear safe -- thanks to the federal aid funds -- could still run into trouble as relief funds run out if they:
  - Postpone right-sizing their districts for permanent enrollment losses.
  - Use federal funds to take on more recurring costs (e.g., staffing or base pay raises) that worsen a fiscal cliff.
- Thus far, some districts do appear to be spending their federal aid in ways that will only increase their long-term financial commitments.



Our analysis assumes districts will adjust their budgets with enrollment declines, but districts are currently testing that assumption.

- Historically, districts with enrollment declines deplete reserves, resist closing schools, or make disproportionate cuts to certain areas of the budget.
- Right now, districts do not appear to be right-sizing their budgets, rather they tend to be using federal funds to backfill what would otherwise be budget cuts.
- Some districts may be making the problem worse by adding staff, adding programs, raising compensation, and ignoring benefits (at best).



In 2017, Roza examined spending data from districts >20,000 with and without enrollment declines. A powerpoint covering the analysis and findings is available upon request.



# District actions now could lessen the severity of financial pain down the road.

- Re-engage families to **boost enrollment**
- **Downsize operations** (e.g., close or consolidate under-enrolled schools, eliminate some positions, consolidate departments, redesign bus routes)
- **Redesign roles or re-train** staff amidst attrition (e.g., multiple certifications to take on several roles)
- Restructure budgets around students via the use of **Weighted Student Funding** (WSF) to ensure budgets are responsive to enrollments and permit school-by-school adjustments
- Make a **long-term plan** based on updated demographic data (e.g., number of 3-4 year-olds, birth rates)
- Most of all, **explain the implications** of these trends for the community



District choices now may bring financial pain later!

# State policymakers might be tempted to adopt hold-harmless policies. But those are a double-edged sword.

- 16 states adopted *temporary* hold harmless policies in 2020 to protect districts with declining enrollments.
- It's possible we could see another round of protections. But...
  1. That would mean another year of delivering scarce dollars to districts where students used to attend (e.g., funding “phantom students”).
  2. The provisions can be costly and come at the expense of delivering those dollars to districts where students are attending.
  3. Funds could flow in ways that mainly protect wealthier communities.

The determining factor when it comes to district long-term fiscal health will be how districts respond to enrollment changes and how they choose to spend their federal aid dollars. State policymakers may want to consider tracking district spending in a way that allows them to monitor potential insolvency.

Note: This analysis did not factor in individual state formulas or consider “hold harmless” policies.



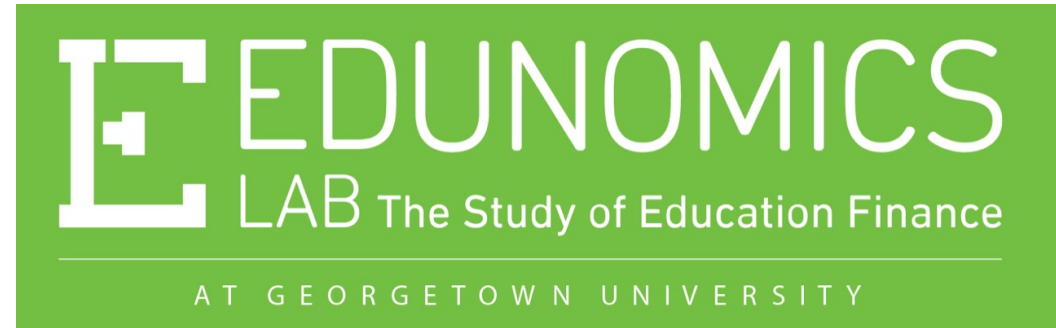
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[EdunomicsLab.org](https://EdunomicsLab.org)  
[@EdunomicsLab](https://@EdunomicsLab)

[KS1747@Georgetown.edu](mailto:KS1747@Georgetown.edu)  
[@K\\_M\\_Silberstein](mailto:@K_M_Silberstein)

[CA903@Georgetown.edu](mailto:CA903@Georgetown.edu)  
[@chadaldeman](mailto:@chadaldeman)

[MR1170@Georgetown.edu](mailto:MR1170@Georgetown.edu)  
[@MargueriteRoza](mailto:@MargueriteRoza)



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