
THE ENROLLMENT DECLINE WINDFALL

Enrollment declines leave more resources for
students remaining in public schools

Ben Scafidi



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EXECUTIVE SUMMARY

A powerful argument routinely offered against education choice programs is that they take money from public schools, leaving fewer resources for students who remain. A recent example appeared in an April 2024 NBC News story about COVID-era enrollment declines. It concluded with the quote, “When more kids are leaving the public schools, that’s less funding for the public schools and those who are left, are left with less.”ⁱ

This quote contains two separate issues: a district’s total funding and its per-pupil funding. The second issue is far more important. The public school system of New York City has a much larger budget than that of De Soto, Kansas. But that is unremarkable, given that the former has many more students. What matters is how much a district can spend on each student. Its per-pupil funding is much more important than the total size of its budget.

A district’s total budget might expand or contract as its student population expands or contracts. If enrollment contracts, it could be that students moved to a different town or left via a private school choice program, or for other reasons. The important question is what resources will be available for students who remain. This question will become more pressing as, according to federal estimates, public school enrollments nationally are projected to fall by more than 2.7 million students between fall 2022 and fall 2031—a decline of 5.5%.ⁱⁱ

This report analyzes what happens when districts’ enrollments change, either up or down. What do these changes do to their finances, or to the resources available to serve students? Data from the years immediately preceding the COVID-19 pandemic offer some ideas. This report provides the first direct evidence of how enrollment declines affect the resources available for students who remain.

The conventional wisdom that districts suffer is wrong. Districts with declining enrollment saw larger increases in per-student local, state, and federal revenues than districts with enrollment gains. The specific reasons will vary across states, but several are common: local funding is often not automatically reduced when student enrollments decline; some state funding is not directly tied to enrollment; and, in practice, federal funding is not proportionately reduced when enrollment decreases. Consequently, districts can retain funds for students they no longer serve, giving them more resources, on a per-person basis, for students who remain.

The onset of COVID-19 started the discussions of the effects of enrollment declines on resources for students. For example, Dee (2023) reports that in the 22 states with complete data, public school enrollment declined by almost 705,000 students between the 2020 (2019-20) and 2022 (2021-22) academic years.ⁱⁱⁱ He estimates that about 26% of the drop came from homeschooling; another 26% was due to a decrease in the number of school-aged children; and almost 15% was due to students migrating to private schools. The data sources Dee used, however, could not account for the remaining

ⁱCatherine Allen, “Public School Enrollment Falling Nationwide, Data Shows,” NBC News (April 21, 2024), <https://www.nbcnews.com/data-graphics/public-school-enrollment-us-states-map-chart-rcna119262>

ⁱⁱU.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), “State Non-fiscal Survey of Public Elementary/Secondary Education,” 1990-91 through 2022-23, https://nces.ed.gov/programs/digest/d23/tables/dt23_203.20.asp?current=yes

ⁱⁱⁱThomas S. Dee (2023), Where the Kids Went: Nonpublic Schooling and Demographic Change during the Pandemic Exodus from Public Schools. *Teachers College Record*, 125(6), pp. 119-129, <https://journals.sagepub.com/doi/10.1177/01614681231190201>

third of the drop. In addition, Dee's sources include charter public schools, which gained rather than lost students.^{iv} These sources thus underestimate the full decrease in district enrollment during the COVID-era.

Few people know that most American public school districts had declining enrollment even before the pandemic began. For example, most districts saw an enrollment decline between academic years 2017-18 and 2018-19, or AY 2018 and AY 2019, respectively (Figure A.1). Of the 10,557 districts with complete data on school resources, 6,072 (57.5%) experienced an enrollment decline the year before the pandemic started.^v These districts represent 80.5% of all regular public school districts and do not include charter schools authorized outside of public school districts.

Districts that lost students had an average decline of 141 students (a 3.6% loss), while those that gained students saw enrollment increase by an average of 79 students (a 2% gain), as seen in Figure A.2.

Collectively, districts that lost students between AY 2018 and 2019 had an enrollment decline of over 853,000 students, while districts that gained students had an enrollment increase of about 356,000. Taken together, the 10,557 American public school districts for which we have complete data saw an enrollment decline of 497,124 students between AY 2018 and 2019. No state had a universal education choice program during this time, and

these enrollment declines were largely unrelated to education choice programs.

Among districts with enrollment declines between 2018 and 2019, the average expenditures per student increased \$1,047 from \$14,745 to \$15,792 (Figure A.3). Districts that experienced enrollment gains saw an increase in total expenditures per student from \$14,066 to \$14,592, or only \$526. These districts already had lower expenditures than districts that lost students, so the spending gap in favor of declining-enrollment districts only increased.

Districts that lost enrollment had a 7.1% increase in total expenditures per student, while districts that saw enrollment gains had a 3.7% increase (Figure A.4). Both increases were significantly larger than the increase in the cost of living during this time period (inflation was only 1.5% during this year).^{vii} (This report uses the PCE Price Index to measure increases in the cost of living, which economists and the U.S. Federal Reserve System deem the most accurate measure of inflation.)

^{iv} Charter school enrollment increased from 3.43 million to 3.67 million students between AY 2020 and AY 2022. Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Public Elementary/Secondary School Universe Survey," 2010-11 through 2021-22 https://nces.ed.gov/programs/digest/d22/tables/dt22_216.20.asp

^v All districts in New Hampshire, Ohio, Utah, and Vermont and some districts in other states lacked complete data and thus do not appear in this analysis.

^{vi} The data used to create Figure A.1 and, unless otherwise indicated, other tables and figures in this report, come from the Common Core of Data, National Center for Education Statistics at the U.S. Department of Education. The data were retrieved from: <https://nces.ed.gov/ccd/elsi/>

^{vii} U.S. Bureau of Economic Analysis, Personal Consumption Expenditures: Chain-type Price Index [PCEPI], retrieved from FRED, Federal Reserve Bank of St. Louis; <https://fred.stlouisfed.org/series/PCEPI>

FIGURE A.1

Number of Public School Districts with Enrollment Losses and Gains, Respectively, Between AY 2018 and AY 2019^{vi}

Most American public school districts were experiencing declines in student enrollment between 2018 and 2019, even before the COVID-19 pandemic.

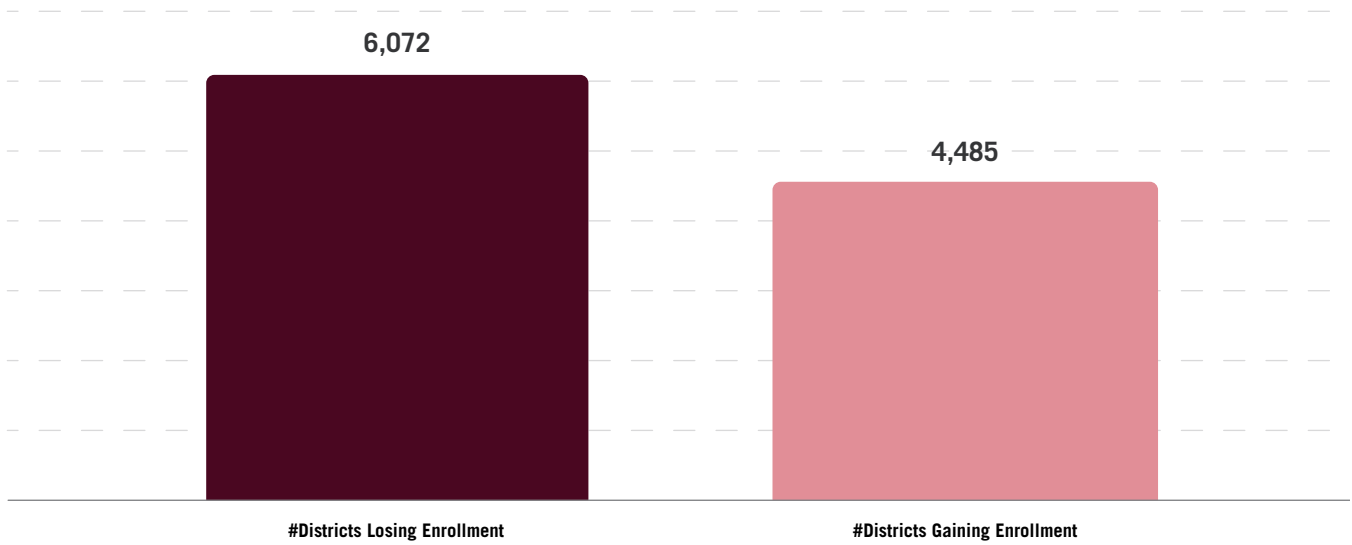


FIGURE A.2

Average Change in Student Enrollment Between AY 2018 and AY 2019

The average district losing enrollment lost 3.6% of its students between academic years 2018 and 2019, while districts gaining enrollment saw an average increase of 2%.

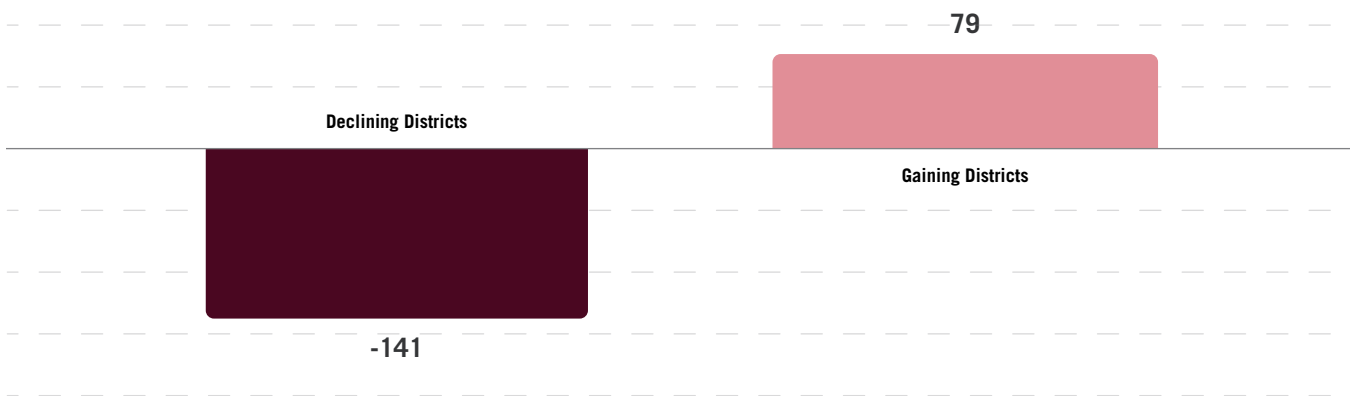


FIGURE A.3

Total Expenditures per Student, AY 2018 and AY 2019

The average district with declining enrollment spent more per student and saw a larger increase in total expenditures per student as compared to the average district gaining enrollment.

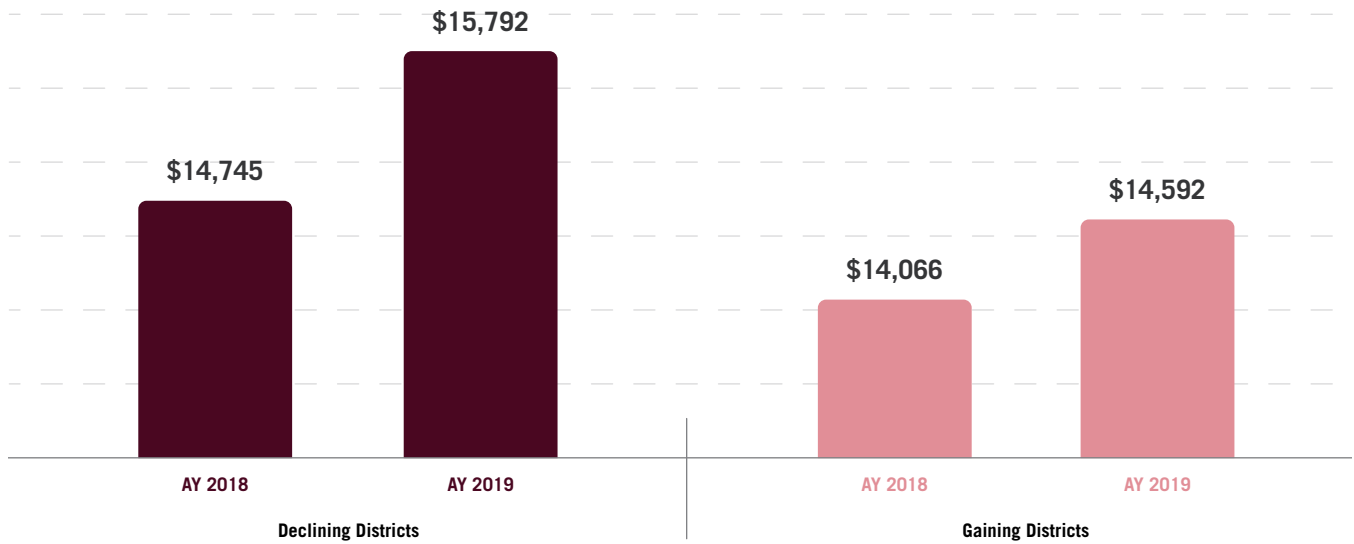
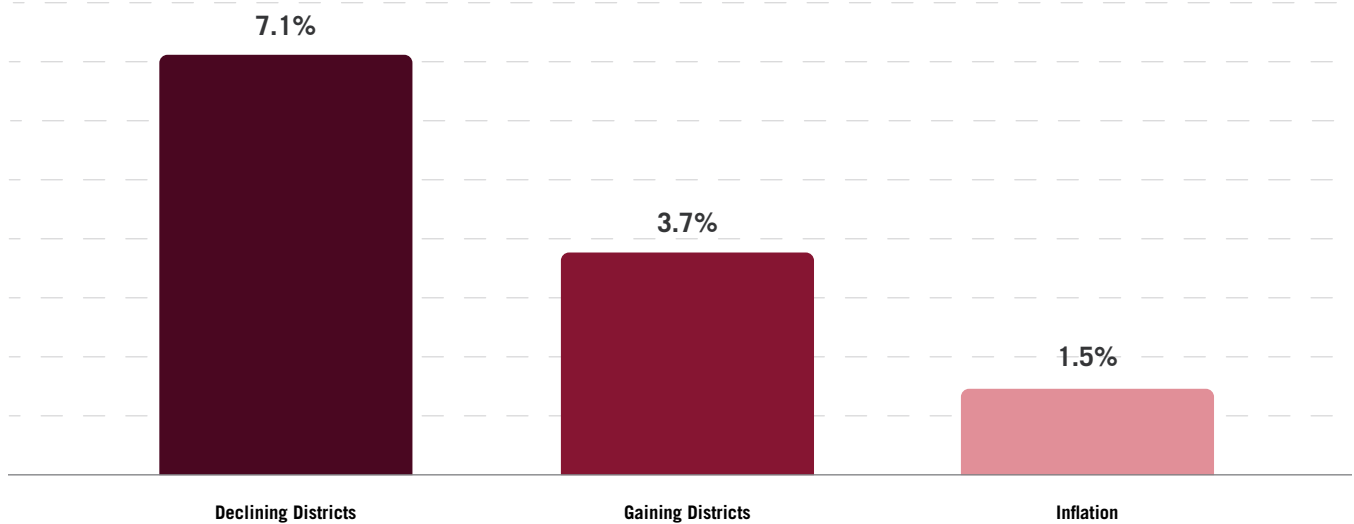


FIGURE A.4

Change in Total Expenditures per Student Between AY 2018 and AY 2019

The average district losing enrollment saw a 7.1% increase in total expenditures per student as compared to a 3.7% increase among districts experiencing enrollment increase. Both numbers were above inflation.



How can public school districts lose enrollment, yet see a significant increase in per-pupil spending? Under public school finance systems, districts that lose students do not lose a proportional share of their local, state, and federal funding (Figure A.5).

Districts with declining enrollment between AY 2018 and 2019 saw a 7.3% increase in their local revenue per student, while districts that gained enrollment saw only a 2.8% increase (Figure A.5). Both increases exceeded the 1.5% increase in the cost of living during this year. The differences also were large for state and federal funding, though not as stark. Districts losing enrollment saw a 6.4% increase in state funding and a 6.5% increase in federal funding per student between AY 2018 and 2019, while the corresponding increases for districts gaining enrollment were 4.0% and 3.3%, respectively.

These increases in financial resources translated into increases in real resources available to students who remained. Among districts with declining enrollment, the total number of full-time equivalent (FTE) staff per 100 students increased on average from 12.7 to 13 FTE, or 2.4% (Figure A.6). For districts with enrollment gains, FTE staff per 100 students fell from 12.6 to 12.5, which is expected if districts have some personnel whose ranks would not automatically increase with enrollment. (A district only needs one superintendent; if an enrollment increase does not require a district to open a new school, the number of school principals would not increase, etc.).

In 2018 total compensation (salaries and benefits) per FTE staff was higher in 2018 for districts that saw enrollment declines between 2018 and 2019, compared to those with gains (Figures A.7 and A.8). This gap widened over time.

FIGURE A.5

Change in District Revenues per Student by Source, AY 2018 to AY 2019

Given favorable public school finance systems, districts with declining enrollment saw larger increases in per-student revenue from local, state, and federal sources. These increases were well above inflation (1.5%).

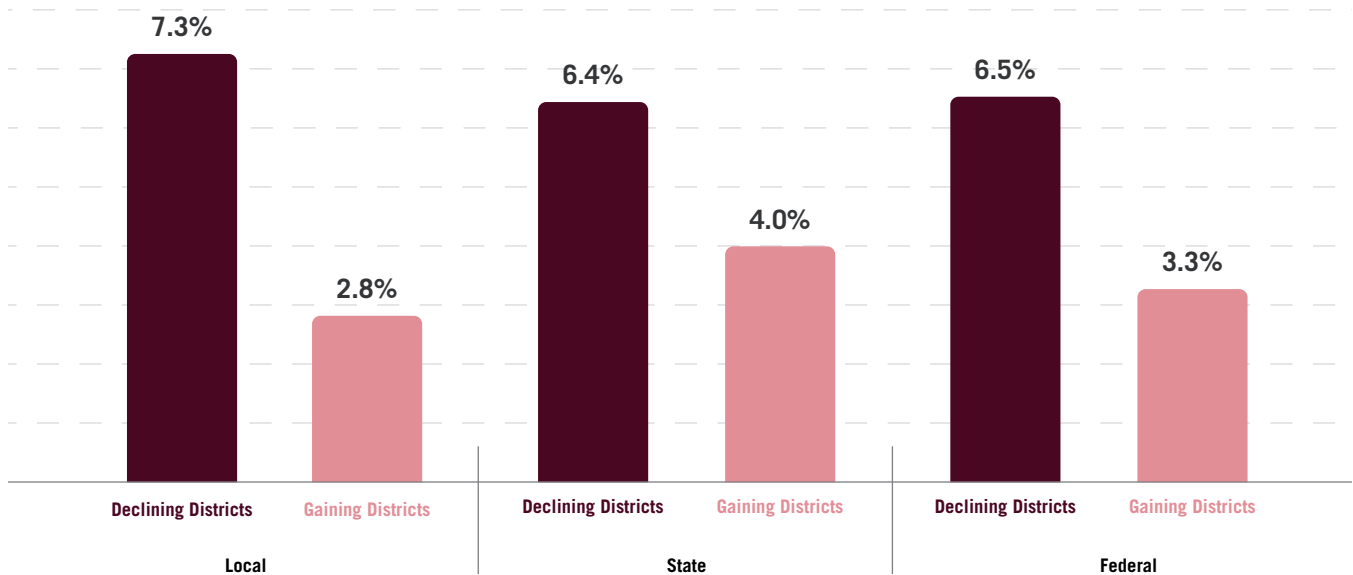
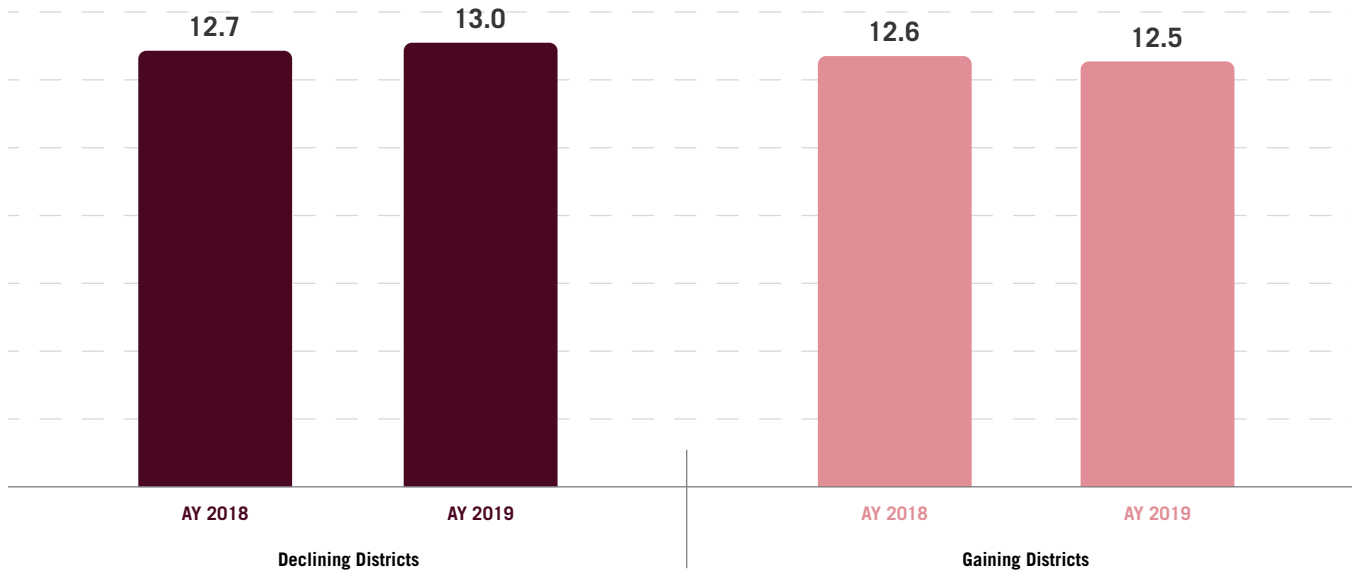


FIGURE A.6**Total Staff per 100 Students, AY 2018 and AY 2019**

Districts losing enrollment had more staff per 100 students in AY 2018 and the gap between them and districts gaining students widened between AY 2018 and 2019.

**FIGURE A.7****Total Compensation (Salary and Benefits) per FTE Staff, AY 2018 and AY 2019**

Districts losing enrollment had better-compensated staff in AY 2018 than their counterparts that had increasing enrollment. The gap widened between 2018 and 2019.

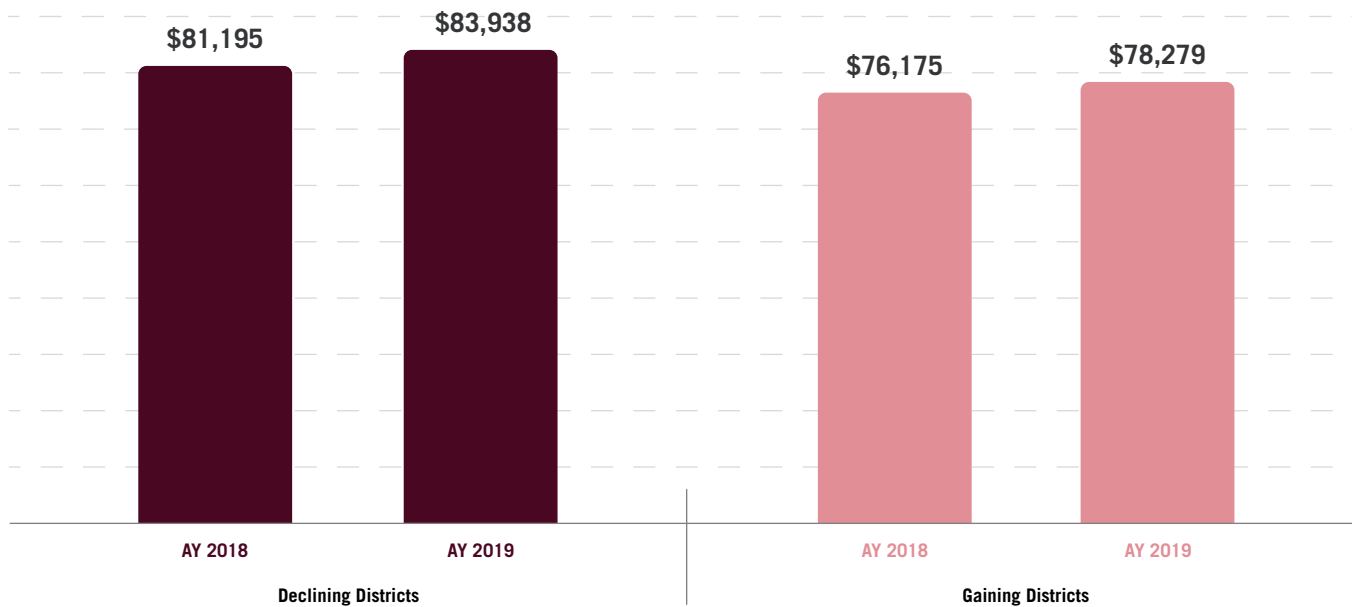
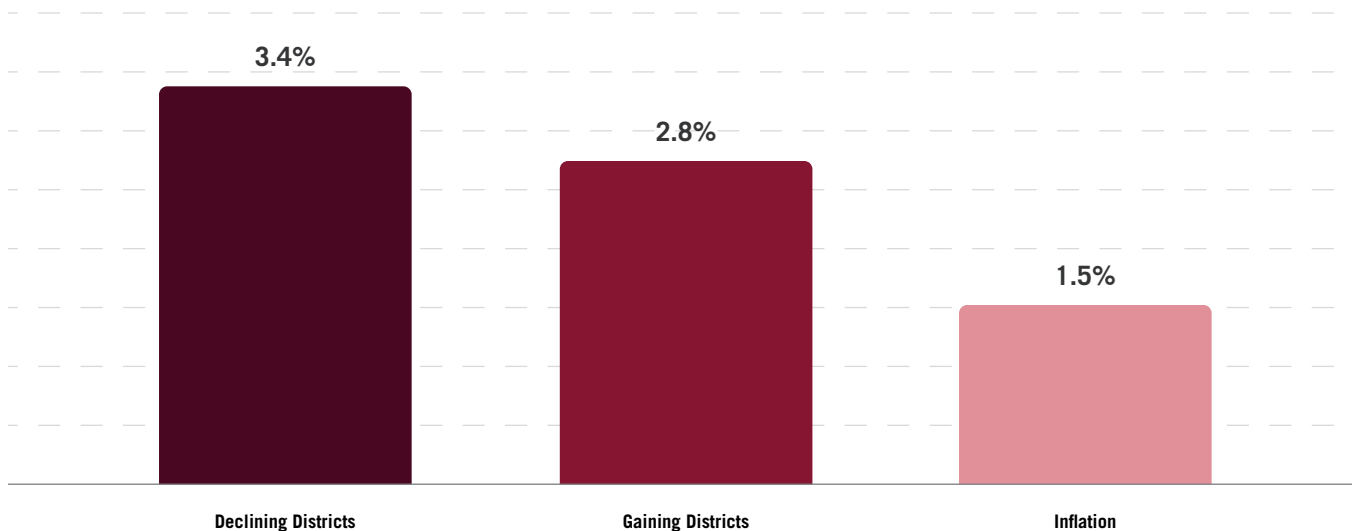


FIGURE A.8**Percentage Change in Total Compensation (Salary and Benefits) per FTE Staff Between AY 2018 and AY 2019**

Districts with declining enrollment increased their total compensation per employee at a higher rate than districts gaining enrollment. Increases for both types of districts were above the inflation rate.



In AY 2018, districts that experienced enrollment declines between 2018 and 2019 were already providing their students with higher staffing levels per 100 students than districts with increasing enrollments. They also had better-compensated staff. These gaps widened between 2018 and 2019, concurrent with declines in the number of students served.

Thus, it is not the case that public school districts experiencing enrollment declines from one year to the next are at a resource disadvantage compared to districts with enrollment gains. So it is not true that students who remain in public schools are “left with less.” On a per-pupil basis, they are left with more than those in enrollment-gaining districts. The favorable fiscal environment facing districts losing enrollment extends over time (Figures A.9 and A.10).

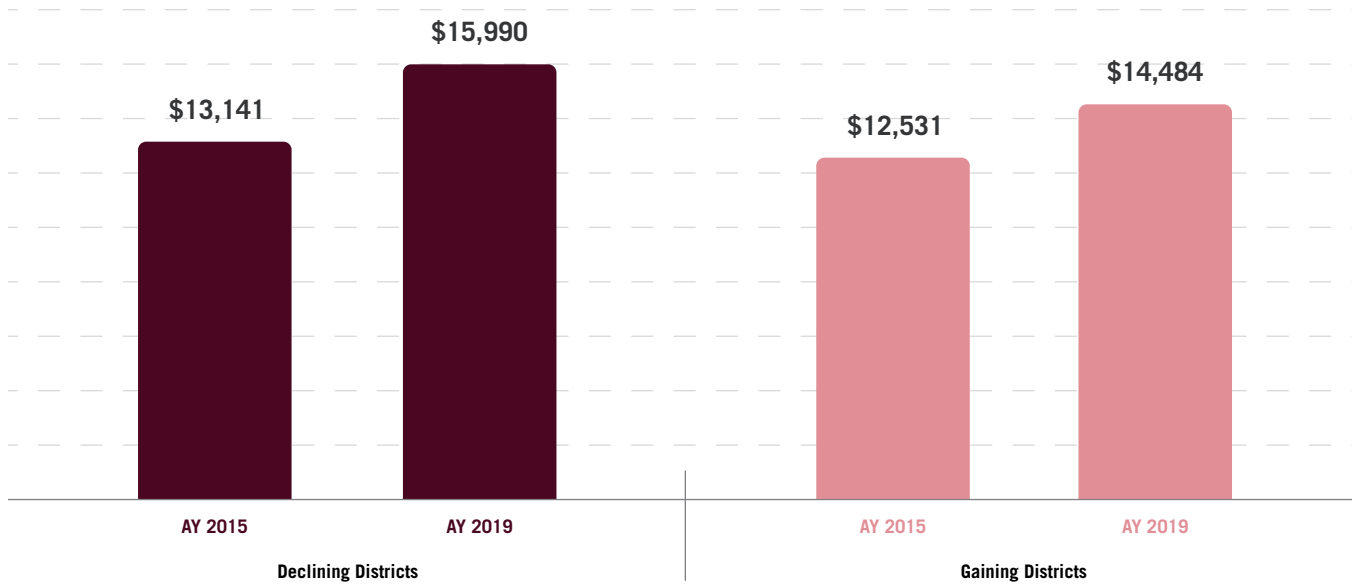
The patterns reported above were also present over longer time periods. For instance, districts that lost enrollment between 2015 and 2019 saw an increase in per-pupil expenditures from \$13,141 in 2015 to

\$15,990 in 2019, or \$2,849 per student (Figure A.9). This 21.7% increase was more than three times larger than the increase in the cost of living (6.3% according to the PCE Price Index). The increase in total expenditures per student for districts with enrollment gains between 2015 and 2019 was lower (\$1,954) relative to districts with declining enrollment, but it was still a healthy 15.6% increase.

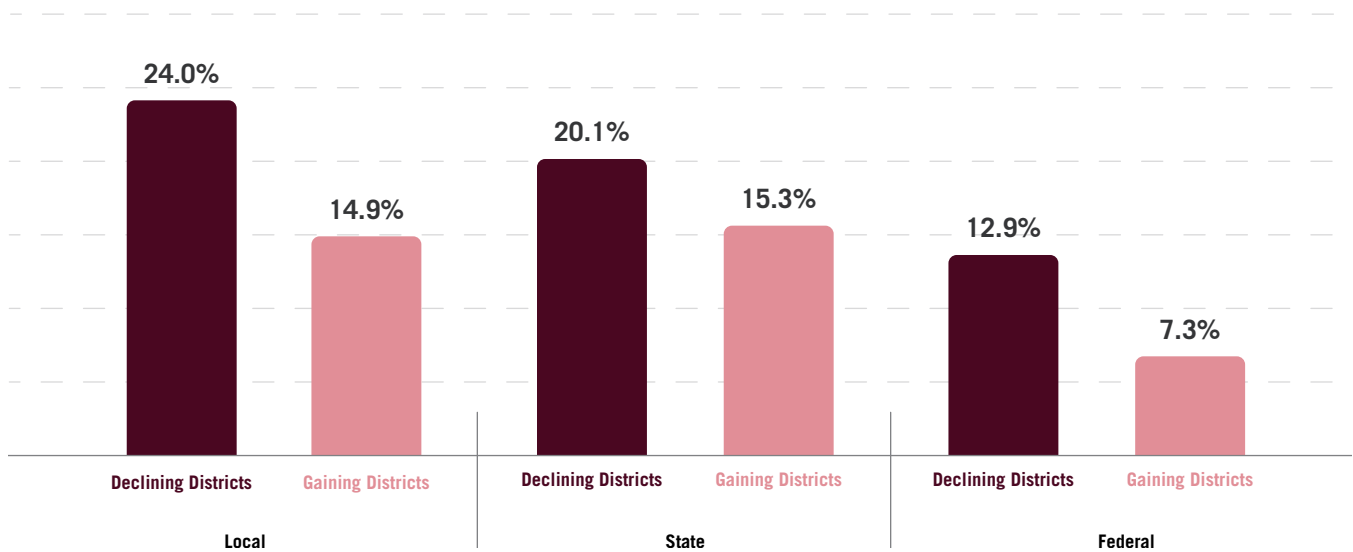
Why could districts with declining enrollment increase their per-pupil total expenditures more than those with increasing enrollment? Because they saw larger increases in per-pupil revenue from all sources than those with enrollment gains (Figure A.10). Local funding is often not automatically reduced when student enrollments decline; some state funding is not directly tied to enrollment, and, in practice, federal funding is not proportionately reduced when enrollment decreases. Property tax revenues in most districts are not automatically reduced when enrollments decline, and capital outlay funds are also not automatically cut when student enrollment declines.

FIGURE A.9**Total Expenditures per Student, AY 2015 and AY 2019**

The average district with declining enrollment spent more per student and saw a larger increase (21.7%) in total expenditures per student as compared to the average district with enrollment gains (15.6%).

**FIGURE A.10****Percentage Change in District Revenues per Student by Source, AY 2015 to AY 2019**

Given the favorable public school finance system, districts with declining enrollment saw larger increases in revenues from all sources, and these increases in revenues were well above inflation.



Thus, even over this four-year, medium-term time frame, the school finance system favors districts that experience enrollment declines, for they retain funds for students they no longer serve. These patterns were also present over the long term, from AY 1998 to AY 2019. The appendix provides details, and a separate analysis of rural school districts finds the same pattern.

Unions such as the National Education Association, as well as other organizations, are concerned that enrollment declines would make it difficult for districts to hire counselors and psychologists. During the COVID era of 2020 and 2023, districts significantly increased their staffing of psychologists and counselors. This was true of districts that gained students as well as those that lost them (Table A.1 below). In addition, districts also prioritized the hiring of administrators and administrative support staff.

State legislators should ask tough questions of public school district leaders about this increase in administration.

Based on the historical data, the fiscal effects of public school district enrollment declines (that likely will continue in upcoming years) are not something that policymakers should be worried about.

TABLE A.1

Percentage Change in Students and Staffing Categories Between AY 2020 and 2023.

Public school districts prioritized the employment of administrators, administrative support staff, and counselors & psychologists after 2020.

| | Percentage Change 2020 to 2023 | |
|-------------------------------|-----------------------------------|----------------------|
| | Declining Districts | Gaining Districts |
| Students | -5.1% | 5.2% |
| Total Staff | 0.2% | 5.8% |
| Teachers | -1.2% | 5.3% |
| Administrators | 8.0% | 8.6% |
| Admin Support | 8.0% | 12.5% |
| Counselors & Psychologists | 2.7% | 6.4% |
| All Other Staff | -1.0% | 5.0% |

INTRODUCTION

Do education choice programs take money from public school districts, leaving fewer resources for students who remain? The issue at the heart of this question is one of the most powerful arguments offered by skeptics and opponents of such programs. A recent example was reported in an April 2024 NBC News story about pandemic-era enrollment declines in district public schools. The article concluded with this statement: “When more kids are leaving the public schools, that’s less funding for the public schools and those who are left, are left with less.”¹

The article also asserted that, “The states with the largest declines in public school enrollment also have the lowest per-pupil spending, Census Bureau data shows.” Ironically, the NBC story’s hyperlink was to a May 18, 2023, U.S. Census Bureau press release that had the headline, “Public School Spending Per Pupil Experiences Largest Year-to-Year Increase in More Than a Decade.” There was no data or information at the hyperlink to back up the assertion that states with lower per-pupil spending had the largest declines in enrollment.

Despite the lack of any evidence to support their claims, researchers and policy advocates routinely assert that declines in student enrollment will leave fewer resources for the students who remain in public schools. In a June 2024 opinion piece in *The Hill*, Cornell University emeritus professor Glenn Altschuler repeats these claims, writing, “States with the largest declines in public school enrollments, it’s also worth noting, have the lowest per pupil spending.”² He favorably quoted the NBC News story by adding “when more young people leave public schools, ‘those who are left, are left with less.’”

It is easy to find quotes from myriad others who assert that when districts experience enrollment declines—which may occur for any reason—students who remain in district public schools will have fewer resources available for their education.

- In October 2020, the Urban Institute published a short piece entitled “Declining School Enrollment Spells Trouble for Education Funding.”³
- In December 2021, the National Education Association proclaimed, “(Vouchers) take scarce funding from public schools—which serve 90 percent of students—and give it to private schools—institutions that are not accountable to taxpayers. This means public school students have less access to music instruments and science equipment, modern technology and textbooks, and after-school programs.”⁴
- In October 2023, the Hamilton Project at the Brookings Institution concluded that, “because state and federal financial support to public schools is typically proportional to student counts while costs are more fixed, enrollment declines may threaten some schools’ financial and operational viability. Schools with diminishing enrollment may have to lay off teachers or shut down completely.”⁵
- Leaders of the American Education Research Association wrote, in announcing their 2025 conference, “(E)ducation institutions are facing fiscal cliffs, born of declining enrollments and rising costs, and are struggling with teacher, staff, and school leader shortages, burnout, and insufficient staffing for school psychologists and counselors for the students who remain.”⁶

While such claims are routine, no data or evidence known to this author supports them. Critics of choice programs often point out that enrollment declines reduce the total amount spent in a given district. But that argument is vacuous given that districts with fewer students tend to have lower total budgets than districts with more students. As an example, New York City has a larger budget than De Soto, Kansas. Obviously, it has many multiples of the number of students. But we should care how much is being spent per pupil, not the total amount a district has.

This report looks at enrollment shifts—both increases and decreases in enrollment over time—and what they do to public school district finances and the resources available for students. It uses data on enrollment and finances in the years immediately before the COVID-19 pandemic. In doing so, it provides the first direct evidence regarding the claim that enrollment declines in district public schools disadvantage the students who remain.

The report analyses the fiscal effects of enrollment drops over a one-year period (academic year 2018-19), a four-year period (AY 1995-1999), and a 21-year period (AY 1998-2019). The three different periods let us look at the short-term, medium-term, and long-term effects of enrollment shifts.

There has been a large amount of discussion of COVID-era enrollment declines in district public schools that began in fall 2020. For example, Dee (2023) reports that in the 22 states with complete data, public school enrollment declined by almost 705,000 students between the 2019-20 academic year and the 2021-22 year.⁷ He estimates that about 26% of the explained drop in enrollments was due to homeschooling; another 26% was due to a decrease in the number of school-age children; and almost 15% was due to students migrating to private schools. The data sources Dee used cannot account for 33% of the remaining total decrease in public school enrollments. Dee's data has another issue: It combines data on charter public schools with that of district public schools. Charter schools have seen increased enrollment and district schools

have seen decreased enrollment.⁸ Thus, combining charter and district public schools understates the decline in district enrollments in the COVID-era. Between AY 2022 and 2023, public school enrollment did increase a bit, but 2023 enrollment was still significantly below the 2020 level, the academic year just before the pandemic.⁹

There has been a lot of discussion about COVID-era enrollment declines. Less well-known is the decline that most of American public school districts were experiencing just before then.

DECLINES IN DISTRICT PUBLIC SCHOOL ENROLLMENT BETWEEN AY 2018 AND 2019

Most public school districts saw an enrollment decline between academic year 2017-18 and 2018-19 (Figure 1). Of the 10,557 districts with complete data on school resources, 6,072 (or 57.5%) experienced an enrollment decline between AY 2018 and 2019—before the pandemic started. Nationally, 80.5% of regular school districts (10,557 out of 13,107) had complete data on school resources for 2018 and 2019. All districts in New Hampshire, Ohio, Utah, and Vermont and some districts in other states lacked complete data and thus do not appear in this analysis.

Figure 2 shows that the average district with declining enrollment lost 141 students (a 3.6% decline), while the average district gaining students gained 79 students (a 1.9% increase).

Collectively, districts that lost students between AY 2018 and AY 2019 had an enrollment decline of more than 853,000 students. Districts that gained students had a combined enrollment increase of about 356,000. The net sum of these two groups is an enrollment decline of 497,124 students between AY 2018 and 2019. It is noteworthy that no state had a universal education choice program then.

The number of students participating in a private school choice program, meanwhile, increased by 16,000, representing a mere 3.2% of the decline in public school district enrollments.¹¹ Thus,

enrollment declines in district public schools must be explained by something other than choice programs that allow families to choose among private educational options for their children.

FIGURE 1

Enrollment Shifts in American Public School Districts Between AY 2018 and AY 2019¹⁰

Most American public school districts were experiencing declines in student enrollment, even before the COVID-19 pandemic.

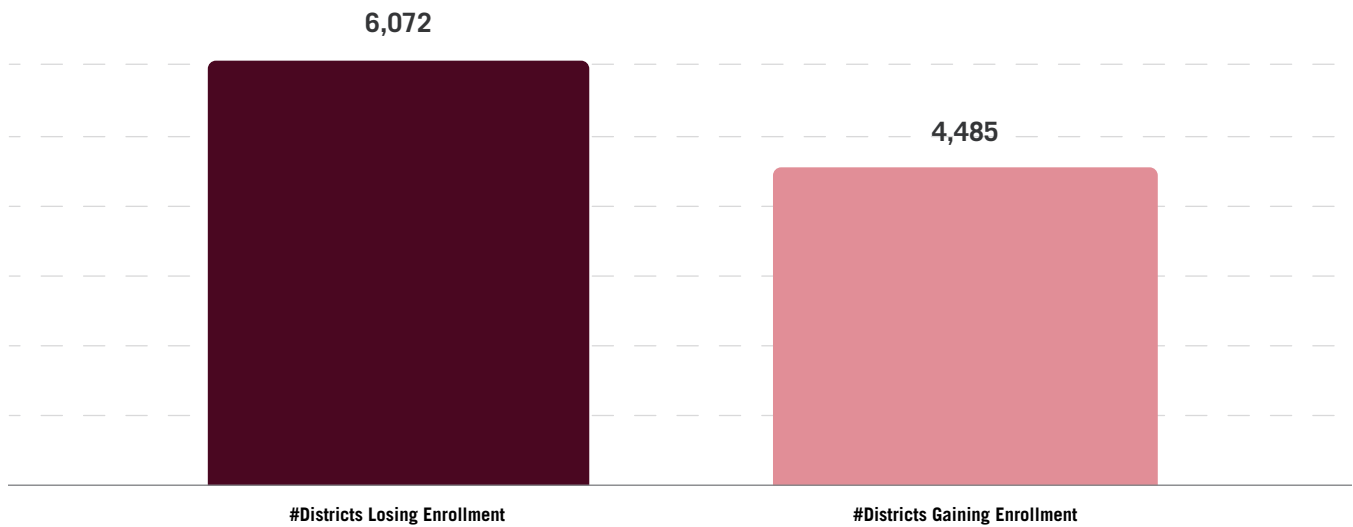
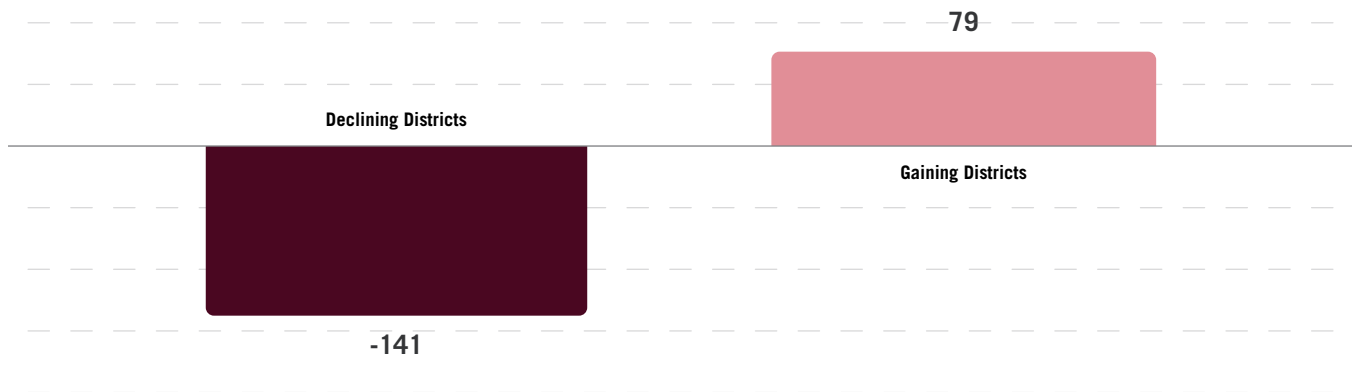


FIGURE 2

Average Change in Student Enrollment Between AY 2018 and AY 2019

The average district losing enrollment lost 3.6% of its students between academic years 2018 and 2019, while districts gaining enrollment saw an average increase of 1.9%.



PUBLIC SCHOOL ENROLLMENT IS PROJECTED TO DECLINE EVEN MORE IN UPCOMING YEARS

The federal government projects that public school enrollment nationally will fall by over 2.7 million students between fall 2022 and fall 2031—a decline of 5.5% (Figure 3).

More than 49.6 million students enrolled in public schools in fall 2022, and the National Center for Education Statistics (NCES) at the U.S. Department of Education projects that public school enrollment will decline to below 47 million students by fall 2031 (Figure 3). These figures include both charter public schools and district public schools, which means this projection masks the larger enrollment decline that is likely to occur in district public schools. In fall 1993, there were 6,193 charter school students. The number of charter school students increased every year since, except for one, until there were almost 3.7 million charter students in fall 2021. Thus, it is likely that as more charter schools are authorized in upcoming years, charter school enrollments will grow and the decline in public district enrollment will exceed the 2.7 million figure projected by the NCES.

There are two reasons for the forthcoming enrollment decline:

- The number of school-age children will increase only modestly. Figure 4 below shows that the number of school-aged children in the United States increased by 9.2 million over the 30-year period ending in 2020. The U.S. Census Bureau, by contrast, projects that in the 30-year period ending in 2050, the number of school-aged children will increase by only 4.8 million.
- In nearly all states, families have more and more options for finding affordable education outside of district public schools,

including charter schools, hybrid schools, microschoools, educational choice programs, and homeschooling.

Between 1990 and 2020, district public schools could rely on large increases in the number of school-aged children to swell their enrollments, even if a greater share of families was choosing charter schools, homeschools, or private schools for their children. According to the forecast by the U.S. Census Bureau, there will be much smaller increases in the number of school-aged children in upcoming decades (Figure 4). Coupled with the expansion of education choice programs and charter schools in the post-COVID era, district public schools will surely face further enrollment declines. This explains much of the concern about whether these enrollment declines will lead to fewer resources for students who remain in public district schools.

The next section analyzes the changes in resource levels for students in district public schools between the 2017-18 and 2018-19 academic years. This one-year change represents the effects of enrollment shifts on resources for students in the short term.

Later sections of the report consider changes in district resources for students over longer time periods—specifically, between 2015 and 2019 (medium-term) and between 1998 and 2019 (long-term). They will reveal whether districts with declining enrollment are advantaged or disadvantaged when compared to districts with gains in enrollment.

The penultimate section of this report shows the changes in resources in district public schools during the COVID-era (2020 to 2023). It is merely a first look at the COVID years because most of the needed data are not yet available. The final, concluding section contains policy recommendations for federal, state, and local policymakers.

FIGURE 3

Projected Change in Public School Enrollment Between Fall 2022 and Fall 2031¹²

The U.S. Department of Education projects that public schools across the nation will experience an enrollment decline of over 2.7 million students (or 5.5%) between fall 2022 and fall 2031.

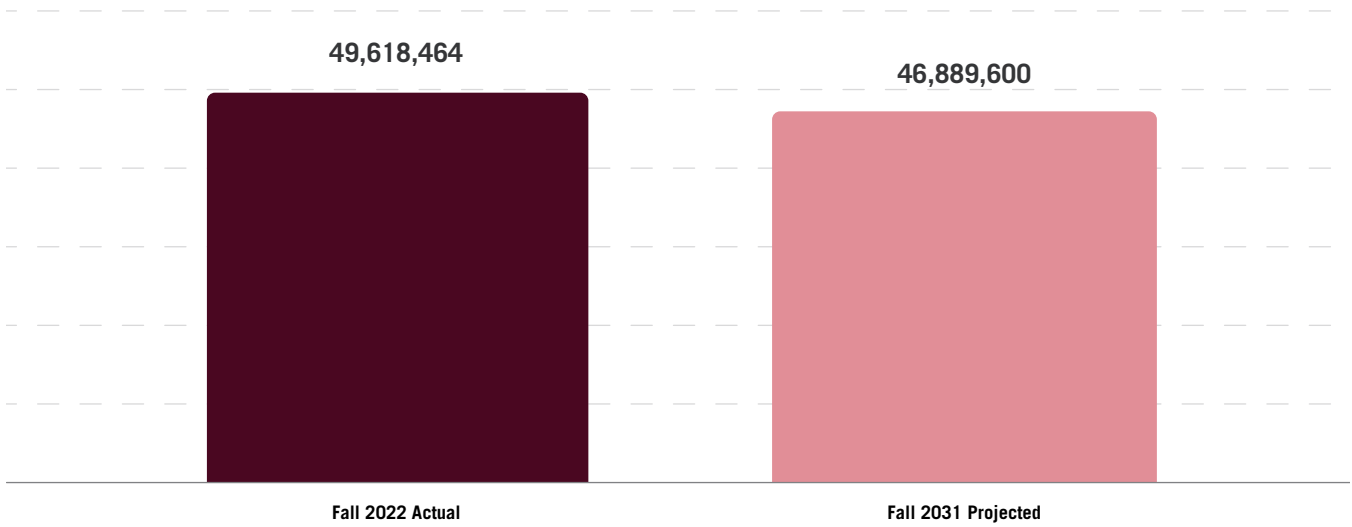
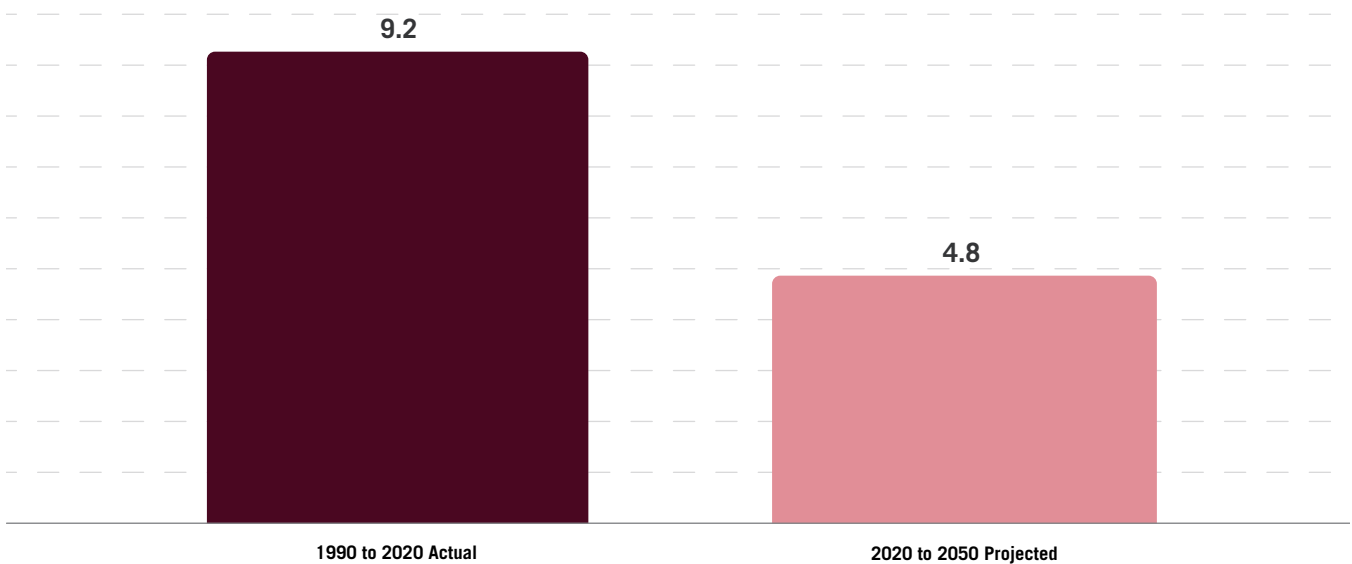


FIGURE 4

Past Changes (1990 to 2020 Actual) and Projected Changes (2020 to 2050 Projected) in the Number of Children (aged 0 to 17) in Millions

The U.S. Census Bureau projects significantly smaller increases in the number of American children after 2020.



PUBLIC SCHOOL ENROLLMENT SHIFTS AND CHANGES IN RESOURCES FOR STUDENTS, 2018 TO 2019

Most public school districts—57.5%—experienced declining enrollment between AY 2018 and AY 2019 (2017-18 to 2018-19). Among the 6,072 districts that saw an enrollment decline, there was an average decrease of 141 students served (a 3.6% decline). Among the 4,485 districts with enrollment gains, there was an average increase of 79. The subsections that follow show the effects of these enrollment shifts on changes in financial and “real” resources. The “real” resources include total personnel per 100 students, employee compensation, and capital expenditures. A subsequent evaluation looks at one long-run fiscal outcome of enrollment shifts: the net fiscal position of districts, wherein the net fiscal position equals all unspent end-of-year funds held in cash or securities minus total debt at the end of the academic year.

FINANCIAL RESOURCES

The districts losing enrollment between 2018 and 2019 had more expenditures per student in 2018, relative to districts with enrollment gains (Figure 5). They had \$14,745 in total expenditures per student, as compared to \$14,066 for districts with enrollment gains, contradicting the assertions made in the NBC news story and TheHill.com opinion piece mentioned earlier. Moreover, the increase in total expenditure per student was larger among districts with declining enrollment—\$1,047—as compared to \$526 for districts with gains in enrollment.

Thus, the gap in total expenditures per student between districts with declining and those with increasing enrollment—already in favor of the

former—widened between 2018 and 2019. Both kinds of districts increased their per-pupil spending at a rate higher than the increase in the cost of living. Specifically, districts with declining enrollment saw an increase in total expenditures per student of 7.1% between 2018 and 2019, while the inflation rate was only 1.5% (Figure 6 below).¹³ Districts with enrollment gains saw a 3.7% increase in total expenditures per student—more than double the inflation rate. (The increase in the cost of living, inflation, is measured using the PCE Price Index, which economists and the Federal Reserve System consider the most accurate measure of inflation.¹⁴)

Districts lose some funding when students leave, but not all of it. That’s because only some of their funding is tied to enrollment. For example, in most states, the amount of local funding given to public school districts for a given academic year is decided by the locally elected school board and voters, and this local funding is not automatically reduced to the same extent that its enrollment goes down. Further, 34 states have “declining enrollment provisions” and/or “hold harmless” provisions that protect declining-enrollment districts from some funding losses, as Lueken (2023) details.¹⁵ Smith and Barnard (2024) report that in the 2022-23 academic year, 84.7% of school districts in California received state funding for an estimated 400,974 “ghost” students—students no longer served by these districts.¹⁶ They estimate that this practice cost California \$4.06 billion in the 2023 academic year alone. Finally, some federal funding, in practice, also is not automatically reduced when districts see declines in enrollment.

FIGURE 5

Total Expenditures per Student, AY 2018 and AY 2019

The average district losing enrollment spent more per student and saw a larger increase in total expenditures per student as compared to the average district experiencing an enrollment gain.

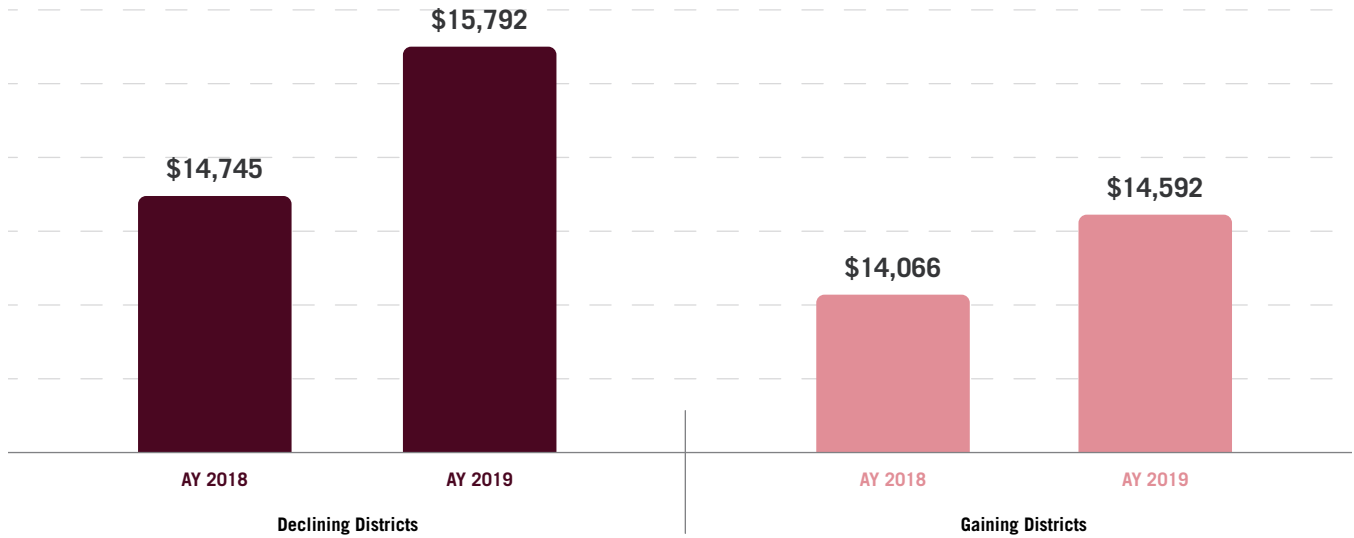


FIGURE 6

Percentage Change in Total Expenditures per Student Between AY 2018 and AY 2019

The average district losing enrollment saw a 7.1% increase in total expenditures per student as compared to a 3.7% increase among districts experiencing enrollment gains, where both increases were well above inflation.

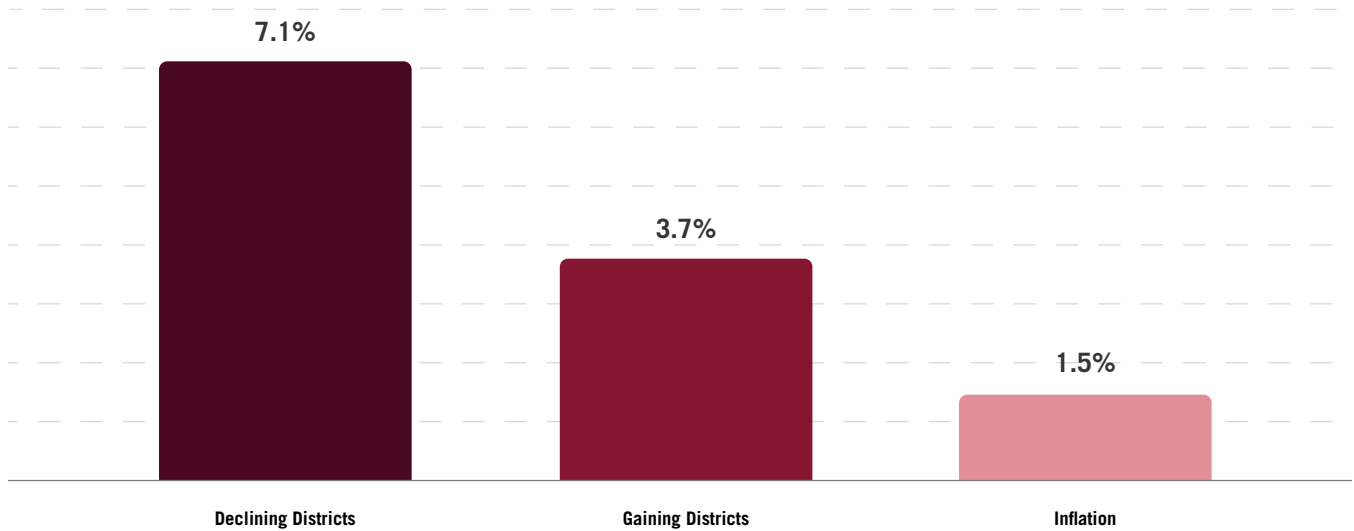


Figure 7 below shows the advantage that districts with declining enrollment have with respect to local, state, and federal funding. This advantage allows districts with declining enrollment to increase total expenditures per student at a much higher rate than districts with enrollment gains.

As shown in Figure 7, districts with declining enrollment between AY 2018 and 2019 saw a 7.3% increase in their local revenue per student, while districts that gained enrollment saw only a 2.8% increase. Both increases exceeded the 1.5% increase in the cost of living. The differences also were large for state and federal funding, but not quite as stark. Districts losing enrollment saw a 6.4% increase in state funding and a 6.5% increase in federal funding per student between AY 2018 and 2019, while the corresponding increases for districts gaining enrollment were 4.0% and 3.3%, respectively. Thus, the local, state, and federal systems of school finance in the United States are especially favorable to public school districts experiencing enrollment declines. That is because not all revenue is enrollment-driven, which means declining enrollment districts can retain funding for students they no longer serve.

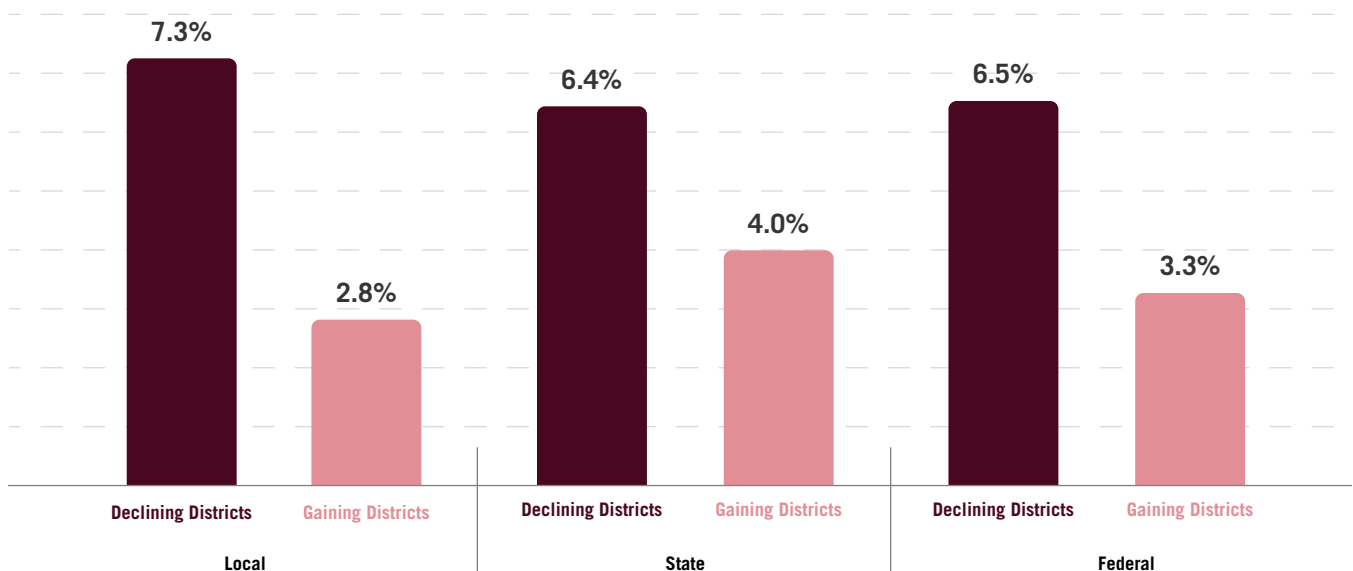
If all funding to districts were enrollment-driven, the average increases in per-student local, state, and federal funding would be similar across districts, whether they gain or lose students. For example, suppose two districts each have 1,000 students and receive \$16,000 per student. Also suppose that one district lost 10 students between year one and year two while the other gained 10 students, and that both districts received a 5% increase in their funding from local, state, and federal governments between these two years. If funding were based only on enrollment, both districts would spend \$16,800 per student in the second year, because the 5% increase nets each of them an additional \$800 per student. Thus, both districts would have a 5% increase in spending per student, even though one district saw an enrollment decline and the other saw an enrollment increase. But this is not what happened in the real world. In reality, declining enrollment districts continued to receive money that is not based on student counts, so they ended year two with more per-student revenue than districts experiencing enrollment gains.

The next two subsections show that these disparate increases in financial resources for districts with declining enrollment translate into disparate increases in real resources and their long-term financial picture.

FIGURE 7

Percentage Change in District Revenues per Student by Source, AY 2018 to AY 2019

Given favorable public school finance systems, districts with declining enrollment saw larger increases in per-student revenues from local, state, and federal sources, and increases were well above inflation.



ENROLLMENT SHIFTS AND REAL RESOURCES

Declining-enrollment school districts can translate their large increases in per-student financial resources into “real” resources, such as the number of personnel per 100 students, the compensation paid to personnel, and capital expenditures. Among districts with declining enrollment, the total number of full-time equivalent (FTE) total staff per 100 students went on average from 12.7 to 13 FTE staff per 100 students, a 2.4% increase between AY 2018 and 2019 (Figure 8). For districts with enrollment gains, FTE total staff per 100 students fell from 12.6 to 12.5. This is to be expected if a district does not automatically need to add certain types of employees even as it gains students. (It only needs one superintendent, and if an enrollment increase does not require the opening of a new school, the number of school principals would not increase.) Total staff includes everyone who works for public school districts—teachers, principals, assistant principals, teacher aides, cafeteria staff, bus drivers, custodians, counselors, psychologists, other support staff, district administrators, etc.

Figures 9 and 10 below show that total compensation (salaries and benefits) per FTE staff was also higher in 2018 among districts that saw enrollment declines between 2018 and 2019—and their advantage over districts with enrollment gains widened even as their enrollment declined. Some personnel, such as district administrators, likely receive compensation well above the averages shown in Figure 9, but other personnel, including teacher aides, cafeteria workers, and bus drivers likely receive compensation well below these averages.

Specifically, between AY 2018 and 2019, districts with declining enrollment increased compensation per FTE staff person by \$2,742 (an increase of 3.4% as shown in Figure 10 below). However, districts with gains in enrollment increased compensation only by \$2,105 per FTE staff person—a 2.8% increase. As shown in Figure 10, compensation increases for employees of both kinds of districts exceeded the 1.5% increase in the cost of living (inflation).

FIGURE 8 Total Staff per 100 Students, AY 2018 and AY 2019

Districts losing enrollment had more staff per 100 students in AY 2018 than districts gaining enrollment, and their advantage widened between AY 2018 and 2019.

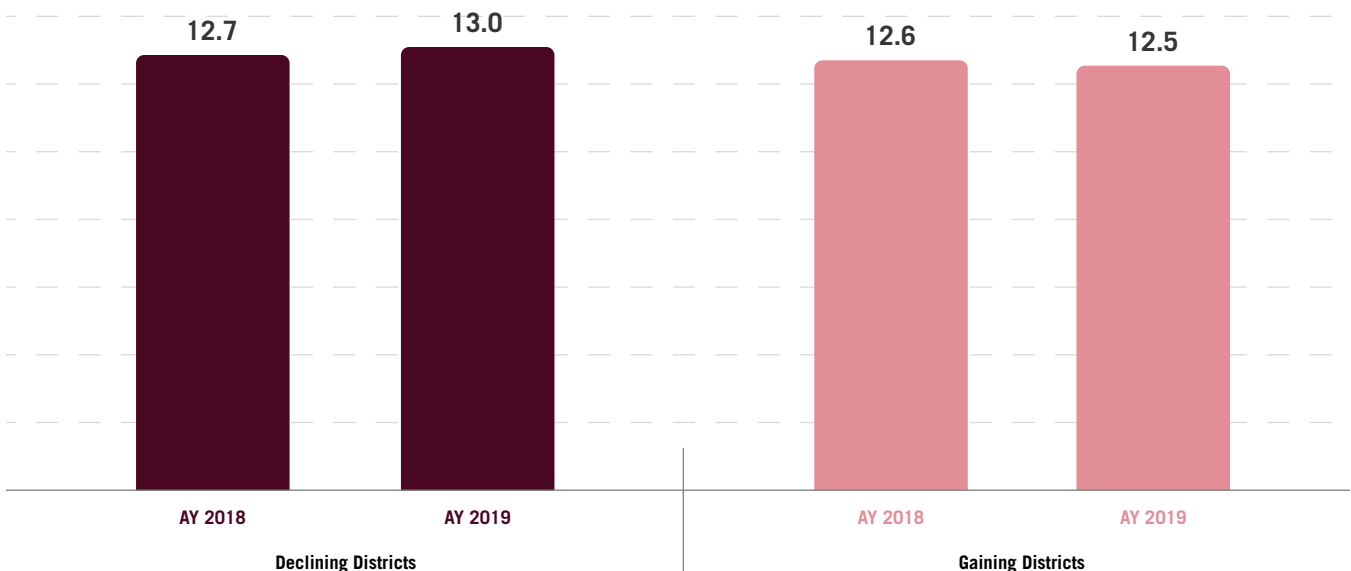
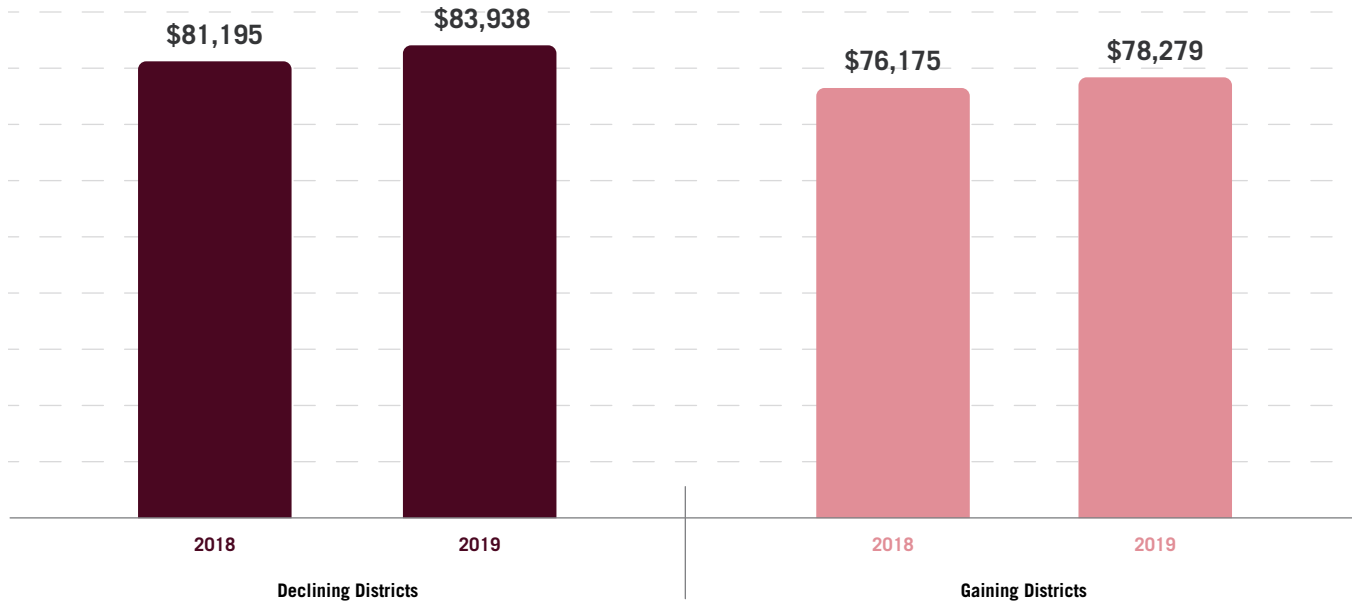
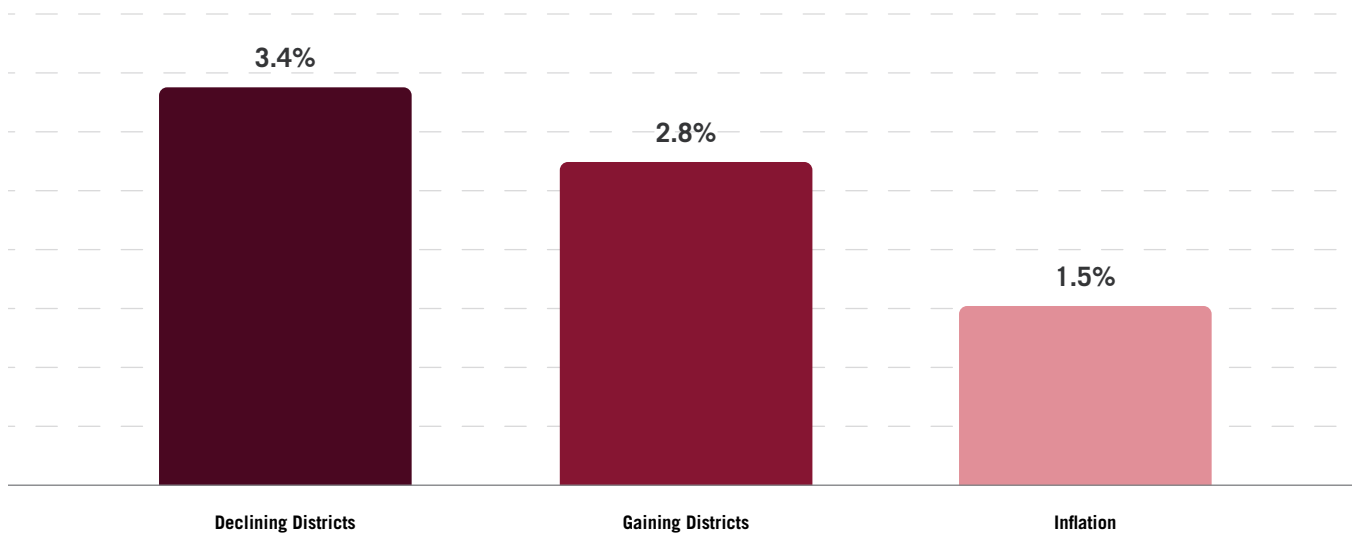


FIGURE 9**Total Compensation (Salary and Benefits) per FTE Staff, AY 2018 and AY 2019**

Districts losing enrollment had better-compensated staff than enrollment-gaining districts in AY 2018, and the gap widened between 2018 and 2019.

**FIGURE 10****Change in Compensation per FTE Staff Between AY 2018 and AY 2019**

Districts with declining enrollment were able to increase their total compensation per employee at a higher rate than districts gaining enrollment—and increases for both were above the inflation rate.



It is noteworthy that in AY 2018 districts that would go on to experience enrollment declines between 2018 and 2019 were already providing their students with higher staffing levels per 100 students and better compensated staff. And that their advantage over districts with enrollment gains widened between 2018 and 2019 as the former saw declines in the number of students they serve. Now we turn to how the two types of districts compare in capital expenditures.

There are three main reasons why public school districts incur capital expenditures: to rehab and repair older school buildings; to replace very old school buildings; and to construct new buildings to accommodate enrollment growth. Districts with enrollment declines, of course, only have the first two reasons for capital expenditures. Thus, one would expect, all else equal, for districts with declining enrollments to spend less on capital expenses and have smaller increases in those expenses over time, compared with growing districts that may need to build new schools.

Districts that saw their enrollment decline between 2018 and 2019 increased their capital expenditures by more than \$500,000 from about \$5.2 million to over \$5.7 million, or by 10.3%, which was well above the rate of inflation (Figures 11 and 12). As expected, districts with enrollment gains also spent more on capital expenses. They had an 11.6% increase, exceeding the inflation rate. Districts with enrollment gains spent more on capital in both years, partly because they served more students. Specifically, districts with enrollment gains served an average of 4,359 students in AY 2019, while districts with declining enrollment served an average of 3,990 students.

Favorable school finance systems, where public school districts are permitted to retain funds for students they no longer serve, allowed public school districts with declining enrollment to have a very large increase in capital spending between 2018 and 2019.

FIGURE 11

Total Expenditures on Capital, AY 2018 and AY 2019

As expected, districts gaining enrollment spent more on capital expenses in 2018 and the gap between them and declining-enrollment districts widened as their enrollment increased.

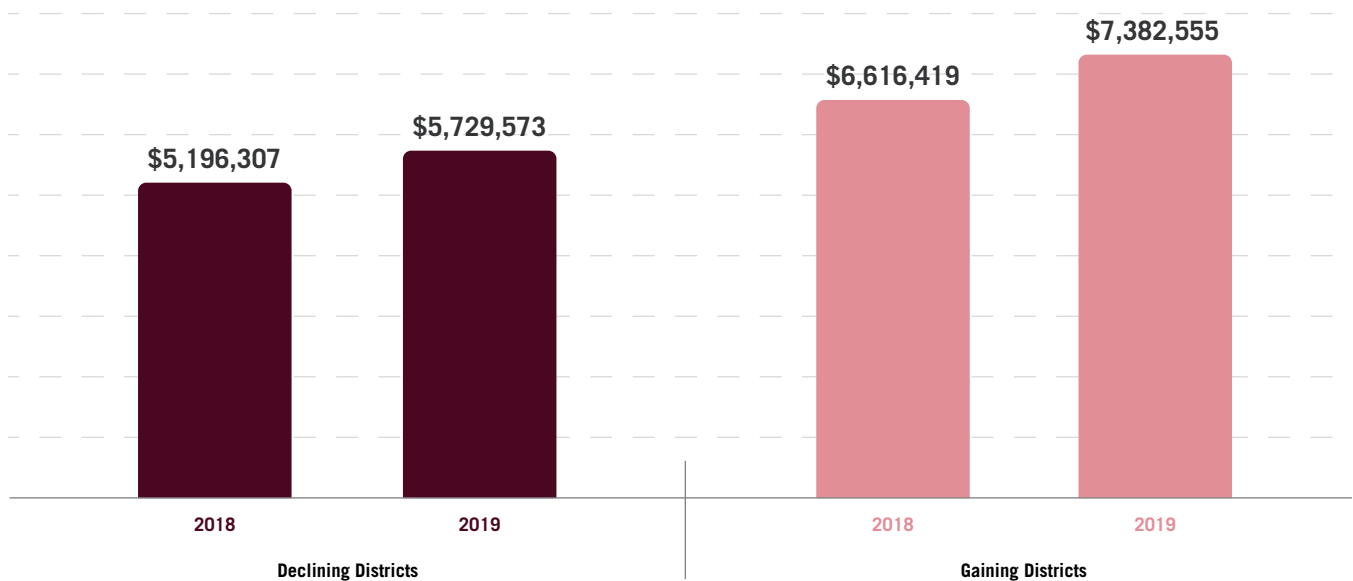
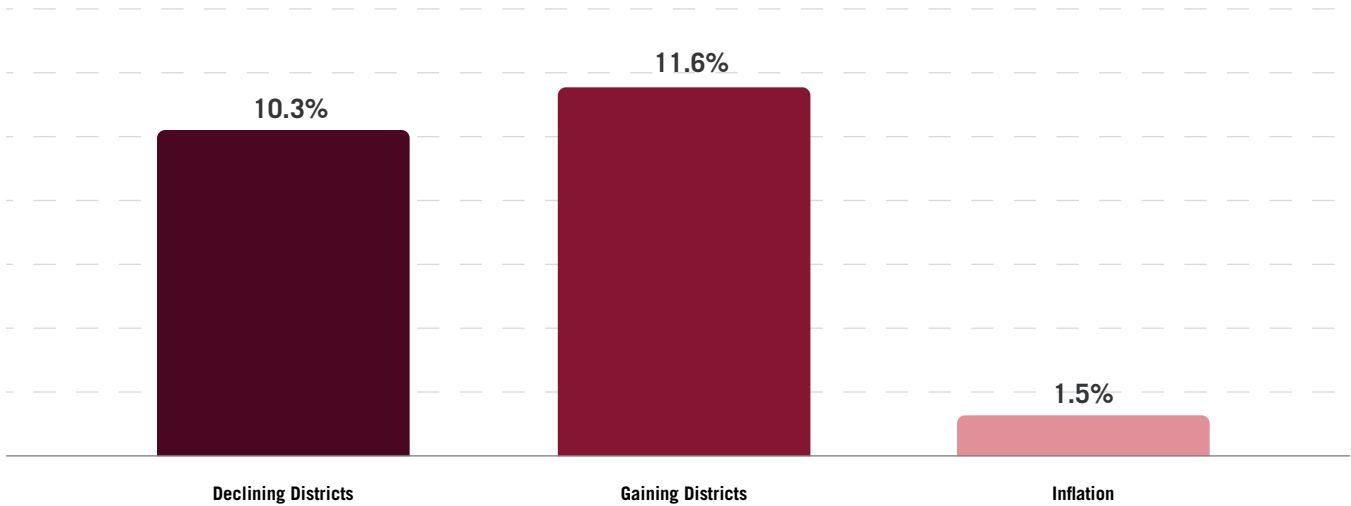


FIGURE 12**Percentage Change in Total Expenditures on Capital, AY 2018 to AY 2019**

Between 2018 and 2019, districts, whether they experienced enrollment declines or gains, increased capital expenditures more than six times the rate of inflation.



ENROLLMENT SHIFTS AND A LONG-RUN FISCAL OUTCOME

The “net fiscal position” of public school districts indicates their long-run fiscal health. It is the amount of funds (cash and securities) left at the end of the year minus any debt owed to creditors. Districts with a more favorable net fiscal position can spend more money on students and less on repaying debt.

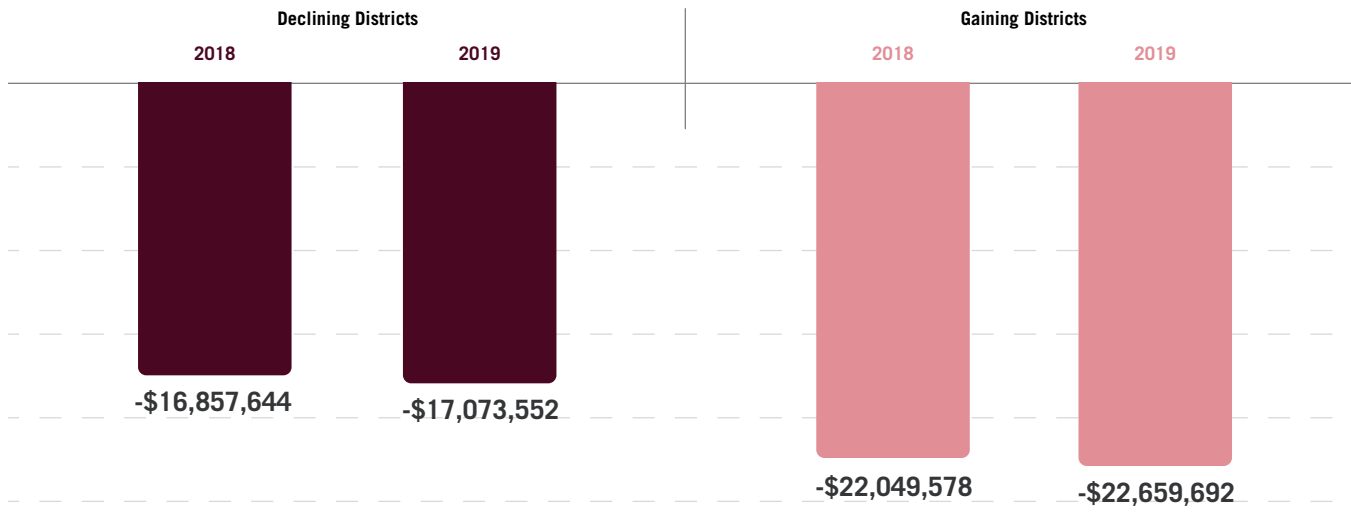
It is reasonable for districts to have a negative net fiscal position. They often incur capital expenditures for buildings that last for many decades, and it is wise to spread out those costs over time by borrowing. A district that never borrowed would have to pay the full cost of a new building in a single year. That would not be prudent. As homeowners do, districts finance the purchase of a building over 15, 20, or 30 years. As long as the payments are not excessive when compared with income, it is a reasonable practice.

What do changes in enrollment do to the long-run fiscal health of public school districts? We see the answer in Figure 13. Districts with enrollment declines, to their credit, had better net fiscal positions than districts with enrollment gains, on average. That is, they had less debt at the end of AY 2019 that they had to pay back, relative to their unspent funds. Districts with declining enrollment saw their net fiscal position worsen by about \$216,000, on average, between AY 2018 and 2019, while districts with enrollment gains saw their net fiscal position worsen by about \$610,000, on average.

In 2019, the average district with declining enrollment had a net debt of \$4,279 per student, while districts gaining enrollment owed \$5,198 per student on average. It would be wise for all public school districts to have a net fiscal position that, while negative, is close to zero. (A positive net fiscal position would be even better.) When it comes to their long-term fiscal outlooks, we can find no evidence that the school finance system disadvantages districts with enrollment declines. To the contrary, districts with enrollment declines have more favorable net fiscal positions, on average, than those with enrollment gains.

FIGURE 13**Net Fiscal Position (Unspent Cash and Securities Minus Total Debt), AY 2018 and AY 2019**

By acting prudently, districts losing enrollment had a better net fiscal position relative to districts experiencing enrollment increases in both 2018 and 2019.



RUNDOWN OF SECTION RESULTS

Public school districts experiencing enrollment declines from one year to the next are at a resource advantage relative to districts with enrollment gains. It is not true, as some skeptics of choice would say, that students who remain in public schools are “left with less” when their districts experience enrollment declines. Between AY 2018 and AY 2019, districts whose enrollment shrank had the following advantages over districts with increasing enrollment:

- They had larger total expenditures per student and larger increases in total expenditures per student (Figures 5 and 6).
- They had larger increases in local, state, and federal revenues per student (Figure 7).
- They employed more staff per 100 students in AY 2018, and this advantage increased between AY 2018 and 2019 (Figure 8).
- They had higher levels of compensation per employee and larger increases in compensation as well (Figures 9 and 10).

- They had very large increases in capital spending, but they spent a bit less on capital than districts that saw enrollment gains (Figures 11 and 12). Districts with enrollment gains need to make additional capital expenditures, as they serve more students over time, which means they will also sometimes need to build new schools to accommodate their enrollment growth.
- They had better net fiscal positions, a sign of better long-run fiscal health, relative to districts that saw enrollment gains (Figure 13).

State funding systems for public school districts often have “hold harmless” and other provisions, where state funding is not automatically and/or immediately reduced proportionally to declines in student enrollment. Since these provisions sometimes last only a year or two, it is worth looking over a longer time horizon to see if enrollment declines lead to a fiscal disadvantage over longer time periods. To that end, the next section shows the changes in resource levels among districts experiencing enrollment decreases and among districts experiencing enrollment increases during academic years 2015 to 2019.

PUBLIC SCHOOL ENROLLMENT SHIFTS AND CHANGES IN RESOURCES FOR STUDENTS, 2015 TO 2019

Between the 2015 and 2019 academic years, district public schools saw a collective enrollment decline of 341,564 students. Two in five districts (4,720, or 41.2%) had increased enrollment; the remaining 58.8% (6,750 districts) saw enrollment declines (Figure 14).

The average district with declining enrollment lost 234 students, while the average district gaining enrollment saw an increase of 262 (Figure 15 below).

Districts with declining enrollment between 2015 and 2019 saw per-pupil spending increase from

\$13,141 in 2015 to \$15,990 in 2019, or \$2,849 per student (Figure 16). This 21.7% increase was over three times as large as the increase in the cost of living (6.3% according to the PCE Price Index). The increase in total expenditures per student for districts with enrollment gains between 2015 and 2019 was \$1,954, for a healthy increase of 15.6%.

Districts with declining enrollment were able to increase per-pupil total expenditures much more than districts with enrollment gains. The former saw larger increases in local, state, and federal revenues, on a per-student basis (Figure 17).

FIGURE 14

Enrollment Shifts in American Public School Districts Between AY 2015 and AY 2019

Most American public school districts were enrolling fewer students each year, even before the COVID-19 pandemic.

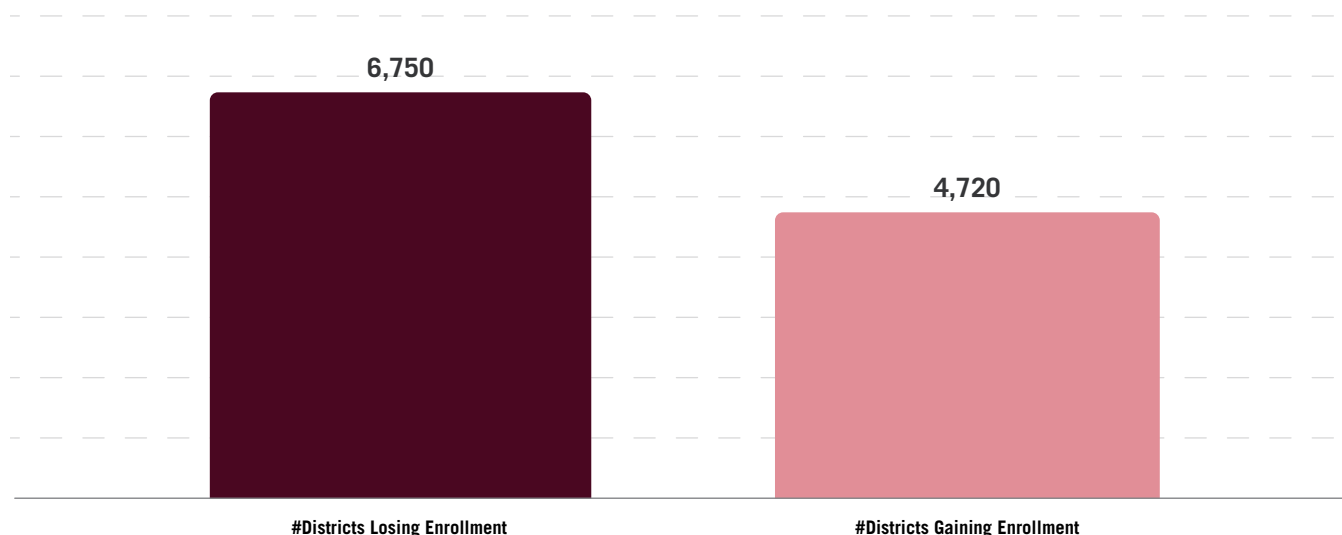


FIGURE 15

Average Change in Student Enrollment Between AY 2015 and AY 2019

The average district losing enrollment lost 6.6% of its students between academic years 2015 and 2019, while districts gaining enrollment saw an average increase of 6.3%.

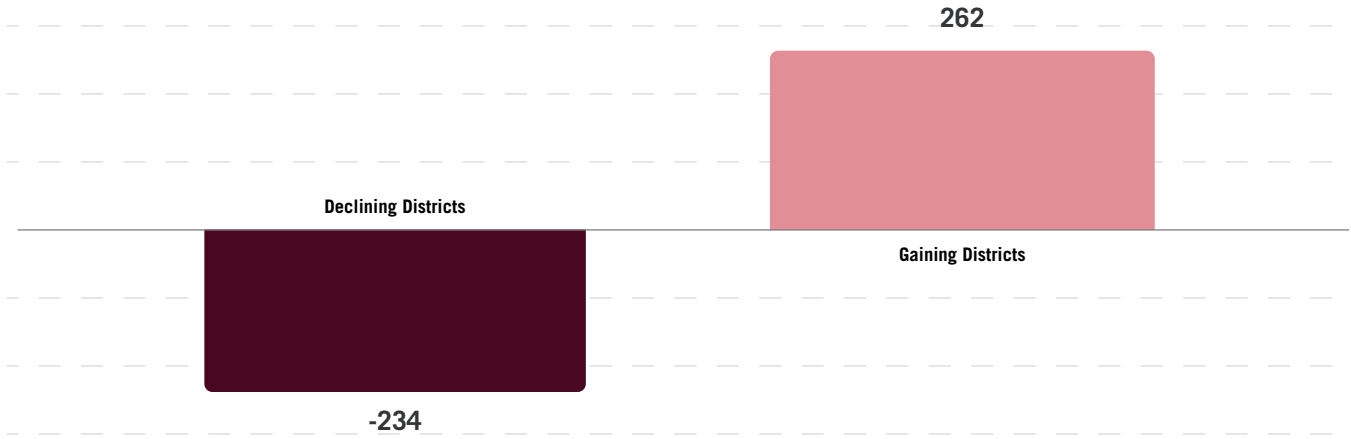


FIGURE 16

Total Expenditures per Student, AY 2015 and AY 2019

Between 2015 and 2019, the average district with declining enrollment spent more per student and saw a larger increase in expenditures per student as compared to the average district with enrollment gains.

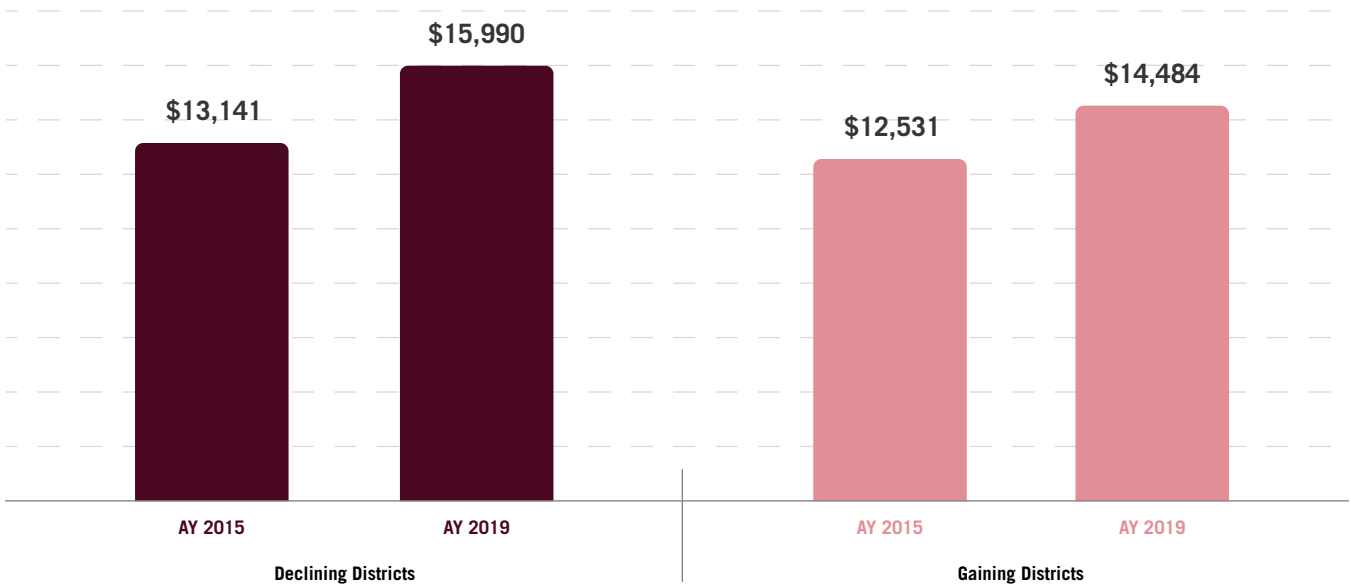
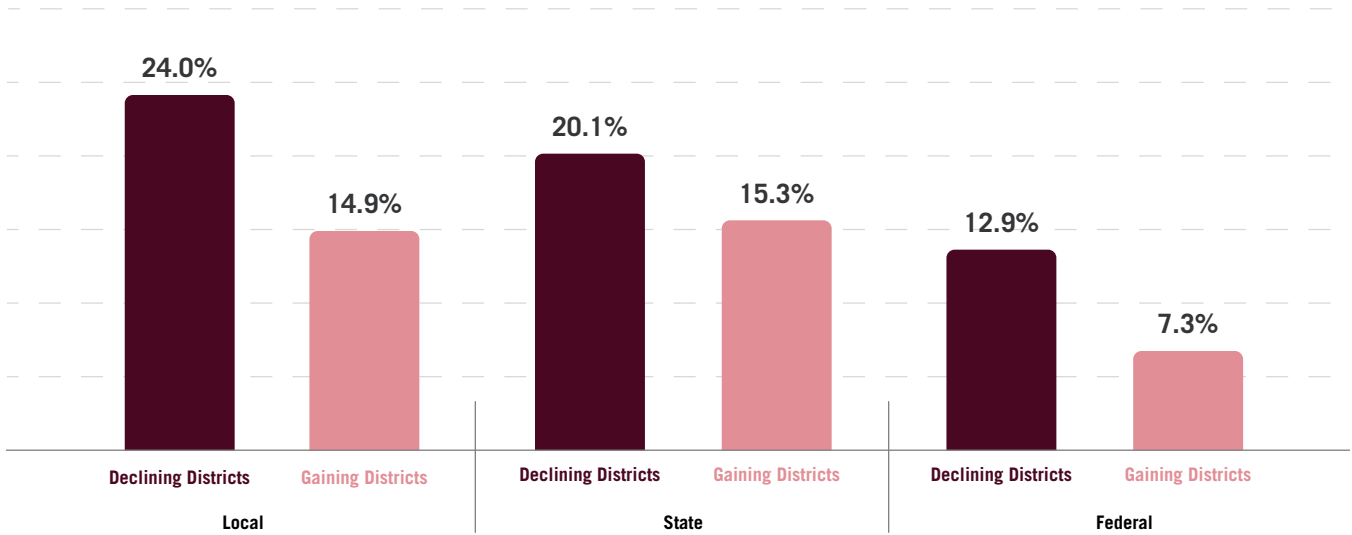
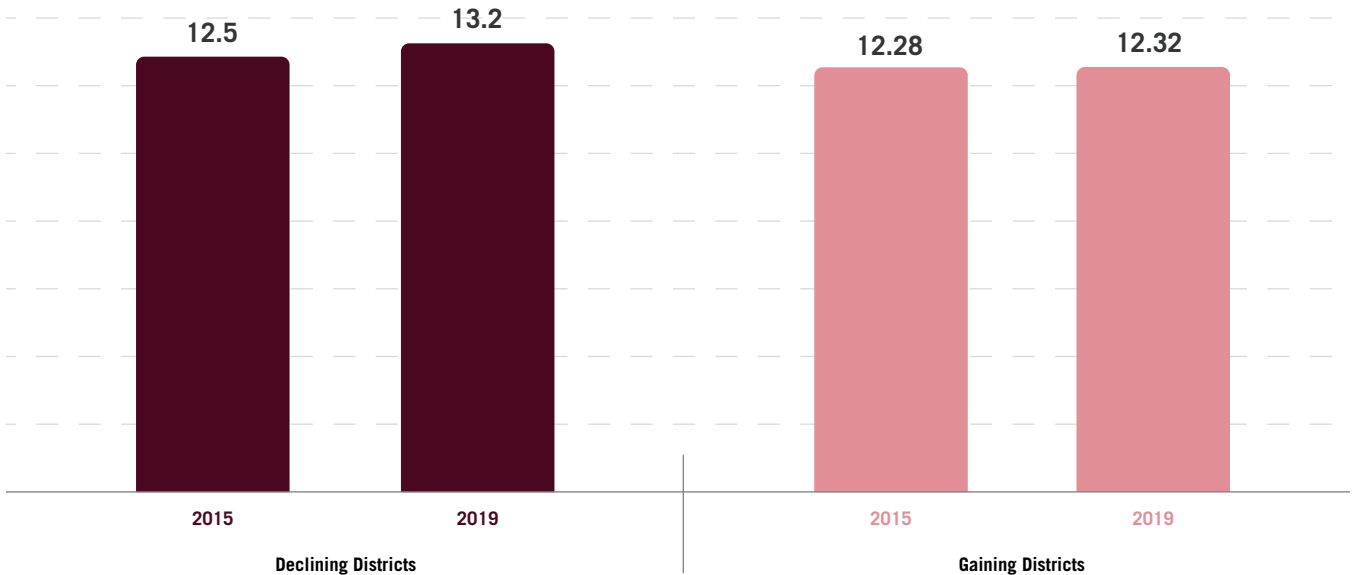


FIGURE 17**Percentage Change in District Revenues per Student by Source, AY 2015 to AY 2019**

Given favorable public school finance systems, districts with declining enrollment saw larger increases in revenues from all sources between 2015 and 2019—and these increases were above inflation.

**FIGURE 18****Total Staff per 100 Students, AY 2015 and AY 2019**

Districts losing enrollment had more staff per 100 students in AY 2018 and the gap widened as student enrollment fell between AY 2018 and 2019.



Thus, even the larger average enrollment shifts between AY 2015 and 2019—larger than the enrollment shifts between 2018 and 2019—and with some hold harmless provisions likely ending for some revenue sources (these provisions usually only last a year or two, Lueken (2023)¹⁷), school finance systems still favored districts with enrollment declines. These districts were favored because not all funding sources decrease proportionately with declines in enrollment—they decrease by less. Therefore, districts with declining enrollments continued to receive funding for students they no longer served, and these are additional funds could be spent on the students who remain.

These disproportionate increases in financial resources for districts with declining enrollment between AY 2015 and 2019 translated into disproportionate increases in real resources for these districts as well. Their increases also went above those available to districts with increases in enrollment. Between AY 2015 and 2019, there was a 5.9% increase in staff per 100 students (from 12.5 to 13.3 total FTE staff per 100 students) among districts with declining enrollment (Figure 18). Among districts with gains in enrollment, the increase in staff was very small, with the ratio of staff to 100 students moving from 12.28 to 12.32.

To put the 2019 differences into perspective, a hypothetical 500-student school in a district that had declining enrollment over the previous four years would have almost five more FTE staff as compared to a hypothetical school of the same size in a district with increasing enrollment. These five extra staff could be teachers, counselors, aides, or whatever the district chooses or whatever federal, state, and/or legal mandates require for staffing. Students remaining in district public schools that have been experiencing enrollment declines have access to more staff relative to students in districts with enrollment gains over time.

Students attending district public schools with declining enrollment also have access to better-compensated staff. Public school employees working in a district that would see enrollment declines received an average of \$74,284 in compensation (salary and benefits) in AY 2015

(Figure 19). By AY 2019, the average was \$83,626, a 12.6% increase. Public school employees working in districts with enrollment gains, in contrast, saw their compensation increase on average from \$70,546 to \$79,171 or 12.2%.

These increases in compensation per employee were about double the increase in the cost of living (inflation). (Figure 20).

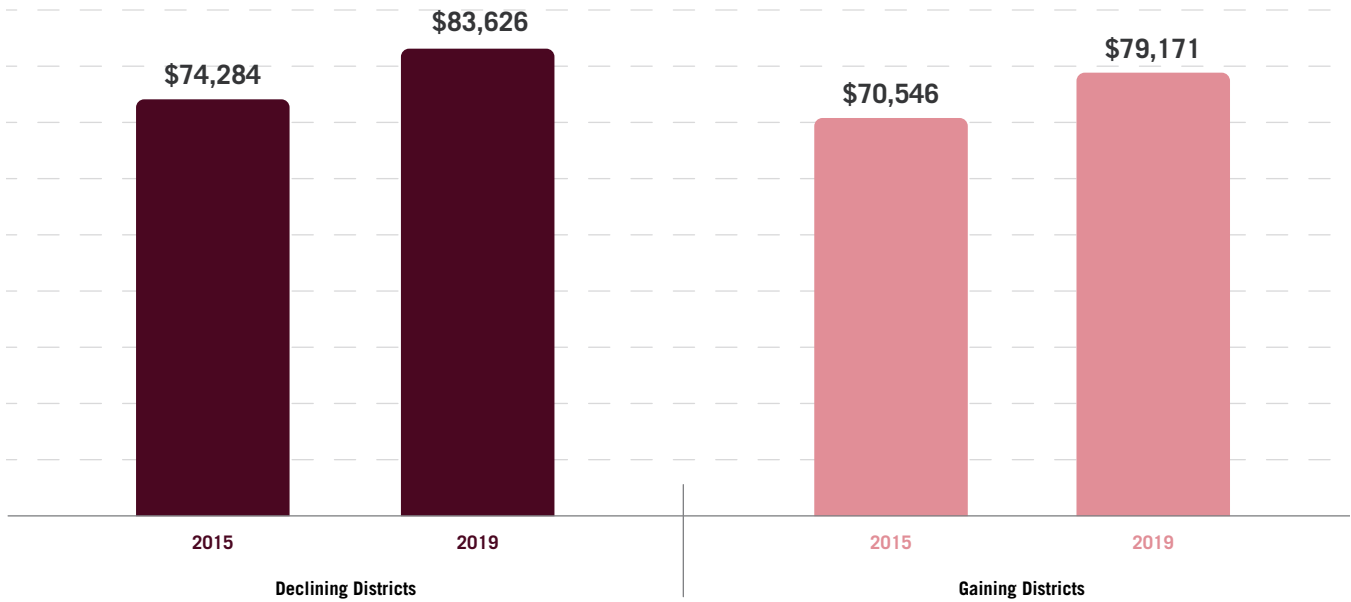
Two reasons explain why districts with declining enrollment spent less on average on capital expenditures than districts with enrollment gains (Figure 21). The first is that districts with declining enrollment served fewer students, on average, in 2015. They had 3,532 students relative to 4,195 students served in districts with enrollment gains over the next four years. Second, districts with declining enrollments do not need to build new schools to accommodate enrollment growth, but districts with enrollment gains sometimes must build new schools to accommodate their growth.

Despite serving fewer students in 2019 relative to 2015, districts with enrollment declines increased their capital expenditures 41.2%, or more than six times the increase in inflation (6.3%). Districts with enrollment gains increased their capital expenditures 57.5%, or more than nine times the inflation rate.

Between 2015 and 2019, the net fiscal position of public school districts with declining enrollment improved (Figure 22). It went from an average of -\$14.4 million at the end of AY 2015 to -\$13.7 million at the end of AY 2019. The net fiscal positions of districts with enrollment gains changed from an average of -\$22.6 million to -\$23.1 million. While it is better for a negative fiscal situation to become less negative, districts with a growing enrollment may need to borrow to construct new buildings.

FIGURE 19**Total Compensation (Salary and Benefits) per FTE Staff, AY 2015 and AY 2019**

Districts losing enrollment had better-compensated staff in AY 2015, and the gap widened slightly as their enrollment fell between the 2015 and 2019 academic years.

**FIGURE 20****Change in Compensation per FTE Staff Between AY 2015 and AY 2019**

Districts with declining enrollment increased their total compensation per employee at a slightly higher rate than districts gaining enrollment. Increases for both were about double the inflation rate.

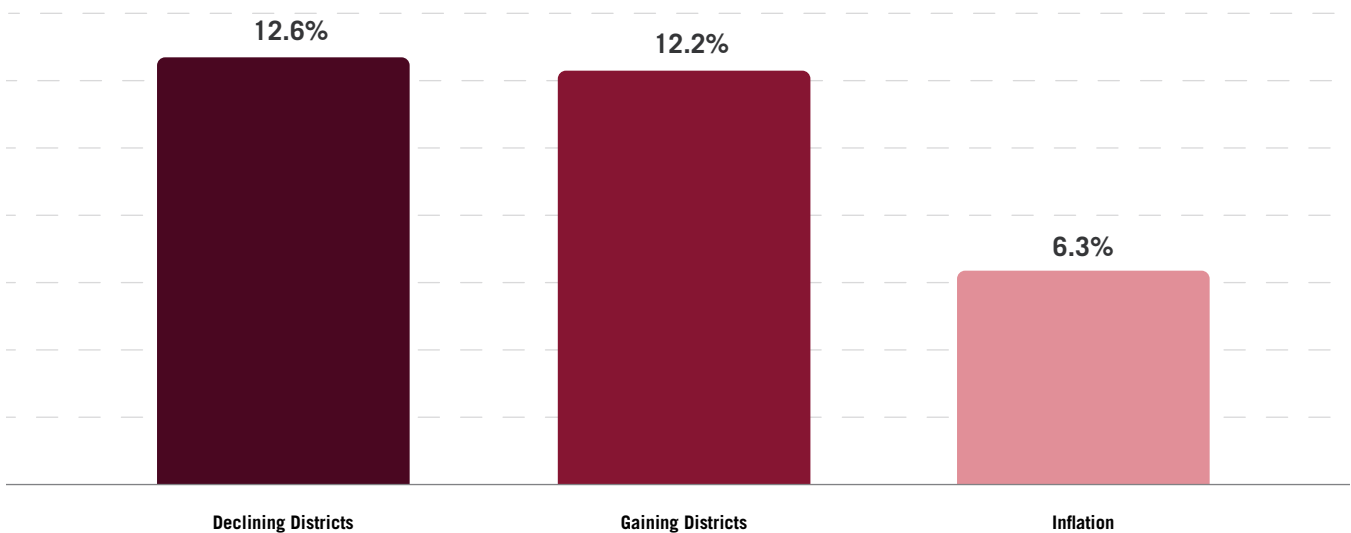
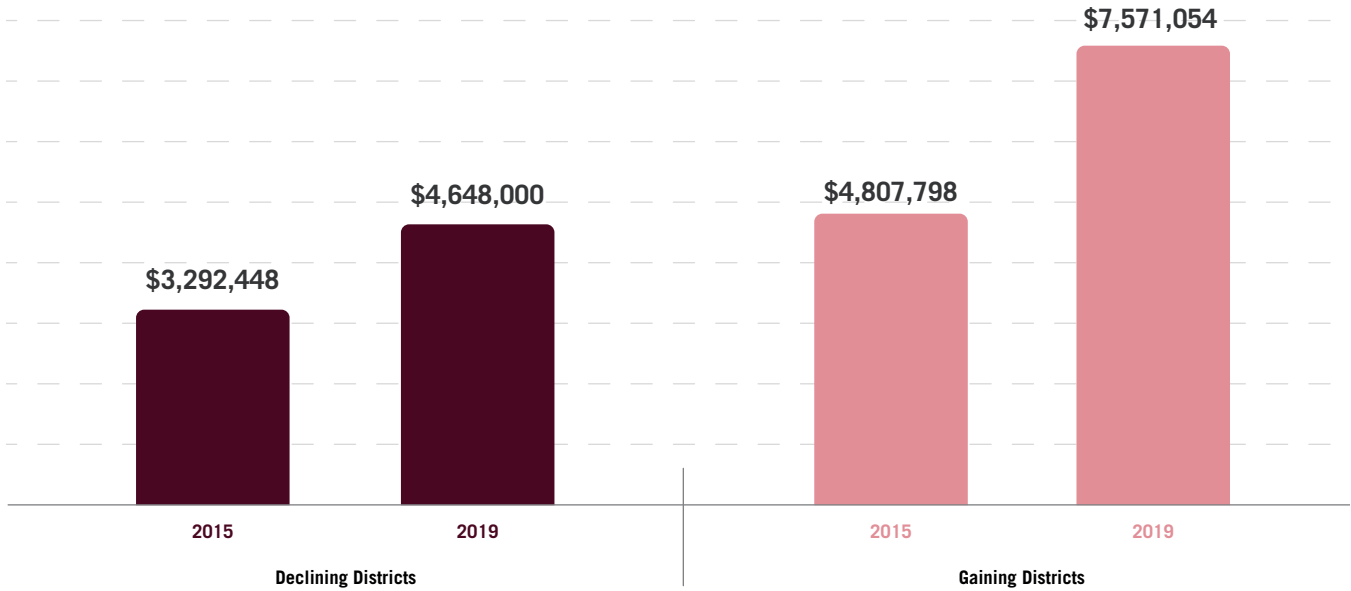
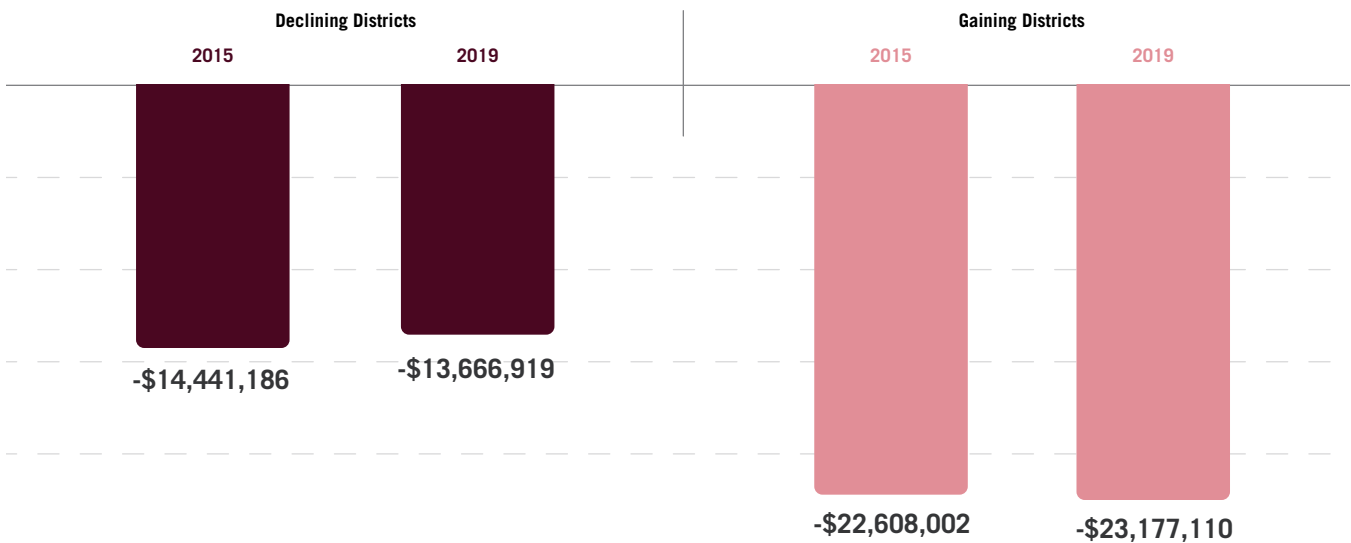


FIGURE 21**Change in Total Expenditures on Capital, AY 2015 to AY 2019**

Between 2015 and 2019, both districts experiencing enrollment declines and enrollment increases were able to increase capital expenditures by more than the inflation rate—six and nine times greater, respectively.

**FIGURE 22****Net Fiscal Position (Unspent Cash and Securities Minus Total Debt), AY 2015 and AY 2019**

Prudently, districts losing enrollment had a better net fiscal position relative to districts experiencing enrollment increases in both 2015 and 2019—and districts with declining enrollment improved their net fiscal position.



RUNDOWN OF SECTION RESULTS

Public school districts experiencing enrollment declines from AY 2015 to 2019 had a resource advantage over districts with enrollment gains. Thus, students are not “left with less” when their districts experience declines in student enrollment, even over the medium term—when hold harmless provisions have likely expired. Between AY 2015 and AY 2019, districts with declining enrollment had, compared to districts with increasing enrollment:

- Larger total expenditures per student and larger increases in total expenditures per student, (Figure 16).
- Larger increases in local, state, and federal revenues per student (Figure 17).
- More staff per 100 students, with the advantage growing (Figure 18).
- Higher levels of compensation per employee and slightly larger increases as well (Figures 19 and 20).
- Very large increases in capital spending, though less than their counterparts (Figure 21). Districts with enrollment gains are expected to have greater needs to make capital expenditures, as they may need to construct new buildings for new students.
- Better long-term fiscal health (Figure 22). They also improved their net fiscal positions, on average.

LONG-TERM ENROLLMENT SHIFTS, AY 1998 TO 2019

We have seen in the short and medium run that districts with declining enrollment have financial advantages over districts with increasing enrollment. Those advantages also held over the 21-year period between the 1998 and 2019 academic years.

The following happened between 1998 and 2019:

- **Enrollment shifted:** 62.8% of American public school districts experienced a decline in enrollment (Figure A1.1). [All figures mentioned in this list are in Appendix 1.]
- **Some districts gained enrollment while others lost it.** The average district with an enrollment decline served 559 fewer students in 2019 as compared to 1998, an 18.6% decline. The average district with enrollment gains served 1,582 more students in 2019, a 33.5% increase (Figure A1.2).
- **Total expenditures per student increased more in declining-enrollment districts than in districts gaining enrollment.** In 1998, both groups of districts had roughly the same average of total expenditures per student: \$6,951 for declining enrollment districts and \$6,987 among districts gaining enrollment. By 2019, declining enrollment districts were spending over \$2,250 more per student, compared to districts that saw enrollment gains (Figure A1.3).
- **Declining-enrollment districts had larger increases in local revenue than enrollment-gaining districts.** Their revenue from all sources, especially from local and state governments, increased much faster relative to districts with enrollment gains (Figure A1.4). Their local revenues per student increased 147.4%, outpacing both the 101.3% growth for enrollment-gaining districts and the 45.2% inflation rate. Though declining-enrollment districts lost an average 18.6% of their enrollment, local political support remained strong.
- **Declining-enrollment districts started with more staff per 100 students than enrollment-gaining students, and their advantage increased over time.** In 1998 districts that would see enrollment declines had slightly more staff per 100 students, 10.6 per 100 students, versus 10.5 for districts that would see enrollment gains. Thanks to enrollment shifts, by 2019, districts with declining enrollment saw their staffing per 100 students increase by 25.5% (to 13.3). Districts gaining enrollment saw their staffing increase to 12.1 per 100 students, an increase of only 14.4% (Figure A1.5).
- **Employee compensation increased more in districts that lost enrollment.** Their compensation per employee (salaries and benefits) increased by 76.7% between 1998 and 2019, while districts with enrollment gains saw an increase of only 72.4% (Figure A1.6). By 2019, compensation in districts with declining enrollment over the preceding 21 years was \$4,767 higher than it was in districts with enrollment gains. (In 1998 this difference was only \$1,581.) Both increases were well above the 45.2% increase in the cost of living.

- **Declining-enrollment districts increased their capital spending more than the inflation rate.** Between 1998 and 2019, districts with declining enrollment spent less on capital when compared to districts that saw enrollment gains (Figure A1.7). Districts with enrollment gains had to build new schools to accommodate their average enrollment increase of 1,582 students, and districts with enrollment declines, losing on average 599 students, would not have to incur this expense. Still their capital expenditures increased an average of 77.7%, exceeding the inflation rate of 45.2%.
- **The net fiscal position of declining-enrollment districts ended up better than that of their gaining-enrollment counterparts** (Figure A1.8). In 2019, districts with declining enrollment had net debts of \$3,839 per student, while districts with gains in enrollment had net debts of \$5,063 per student.

The details of these findings can be found in Appendix 1.

ENROLLMENT SHIFTS IN RURAL SCHOOL DISTRICTS

While the negative financial consequences of voucher programs are felt statewide, rural communities are hit especially hard.

-The Idaho Center for Fiscal Policy,
January 10, 2024¹⁸

For over a century Americans have been migrating away from rural areas to live in metropolitan areas, especially suburbs. For example, in 1910, 71.6% of Americans lived in rural areas.¹⁹ By 2020, 80% of Americans were living in metropolitan areas, with the remaining 20% living in rural areas.²⁰ Given this large migration, it is important to consider if the effects of enrollment shifts differ for rural school districts. This section will include data only for the academic years 2015-2019.

According to the U.S. Census Bureau's classification system, a rural area is any location outside of an "urban area," where urban areas must (a) contain at least 50,000 residents or (b) have a high population density and have at least 2,500 residents.²¹ So, any public school district located in an urban area is excluded from this section.

What happens in rural areas largely echoes what happens nationally. Districts with declining enrollment show increased resource levels available for their remaining students, compared to districts with enrollment gains. The findings for rural districts for the medium term (2015 to 2019) are very similar to those for the short-term (2018 to 2019) and the long-term (1998 to 2019). A more complete set of numbers can be found in Appendix 2.

The effects of enrollment shifts on rural public school districts between AY 2015 and 2019 may be summarized as follows:

- **Enrollment shifts are real.** Between AY 2015 and 2019, 59.7% of rural public school districts experienced a decline in enrollment (Figure A2.1).
- **Gains and losses are both approximately 8%.** The average district with an enrollment decline served 94 fewer students in 2019 as compared to 2015, a 7.9% decrease. The average district with enrollment gains served 89 more students in 2019, an 8.3% increase (Figure A2.2).
- **Rural students were not "left with less" when their districts experienced declines in student enrollment.** On the contrary, they experienced a resource advantage over rural districts that saw gains in enrollment. The specific findings are presented below.
- **Rural districts that lost students over 2015-2019 had higher increases in per-pupil spending than enrollment-gaining districts.** In 2015, they had roughly the same per-pupil expenditures: \$12,402 for declining enrollment districts and \$12,191 for districts gaining enrollment. While both types of districts saw increases in total expenditures per student, the increase in spending between 2015 and 2019 was greater for shrinking districts, by \$1,117 per student. (Figure A2.3).

- **District revenues from all sources increased more for declining-enrollment districts.** (Figure A2.4). This means that students in rural districts with declining enrollment had more real resources available for their education.
- **Rural districts with declining enrollments had, when compared to districts with increasing enrollment, more employees per 100 students. This difference increased in 2015-2019.** In 2015 the declining-enrollment districts had 14.1 personnel per 100 students versus 13.7 for rural districts that would see enrollment gains (Figure A2.5). By 2019, these numbers stood at 14.9 and 13.5 employees per 100 students, respectively.
- **Employee Compensation increased slightly more in growing-enrollment districts.** Rural districts with declining enrollment saw their compensation per employee (salaries and benefits) increase by 10% between 2015 and 2019, while rural districts with enrollment gains saw an increase of 11% (Figure A2.6). These increases in compensation were above the 6.3% increase in the cost of living.
- **Capital.** Between 2015 and 2019, rural districts with declining enrollment spent less on capital and had slightly less of an increase relative to rural districts that saw enrollment gains (Figure A2.7). This pattern is expected given that at least some districts with enrollment gains would have had to build new capacity to accommodate enrollment increases. Nevertheless, the increase in capital expenditures among districts with enrollment declines averaged 31.4%, a healthy increase as compared to inflation, which was only 6.3%.
- **The net fiscal position of declining-enrollment districts is better than that of districts with increasing enrollment.** (Figure A2.8). Rural districts that experienced enrollment declines between 2015 and 2019 improved their net fiscal positions significantly. Also, in 2019 they had net debts of \$2,085 per student, while districts with gains in enrollment had net debts of \$4,790 per student.

Thus, the Idaho Center for Fiscal Policy's claim at the start of this section is not correct. Instead, rural districts experiencing enrollment declines have a fiscal advantage relative to rural districts experiencing enrollment gains.

FIRST LOOK AT THE COVID-ERA

The COVID era had unusual effects on public school finance. First, the enrollment declines in district public schools were historically large. Enrollment in district public schools nationwide fell by over 1.45 million students between fall 2019 and fall 2022, a decline of just over 3%.²² [In contrast, enrollment in public charter schools authorized outside of school districts increased by just over 279,000 students, or 11.2%.²³] Dee (2023) estimates that about 26% of the explained drop in public school enrollments was due to homeschooling; another 26% was due to a decrease in the number of school-aged children; and almost 15% was due to students migrating to private schools.²⁴

COVID also brought a second rare event: an extremely large infusion of federal funding to public school districts, over and above routine federal funding. Under the federal CARES and CRRSA acts in 2020 and the much larger ARP Act in 2021, Congress granted American public schools an additional \$189.5 billion. The additional funding under these three acts have been termed Elementary and Secondary School Emergency Relief (ESSER), which must be spent by December 2024, or, if districts ask for and receive an extension, March 2026.²⁵

A third unusual feature of the COVID era was a very large increase in property values in many parts of the country, which led to higher property tax bases.²⁶ This increase will yield significantly property tax revenue for some districts.

Given the ways in which the school finance system favors districts that lose enrollment, the large COVID-era decline in the number of students will likely lead to large increases in resources available for students who remain. The extraordinary new federal aid, as well as increases in the local tax base,

will likely lead to even larger increases in resources available to serve them.

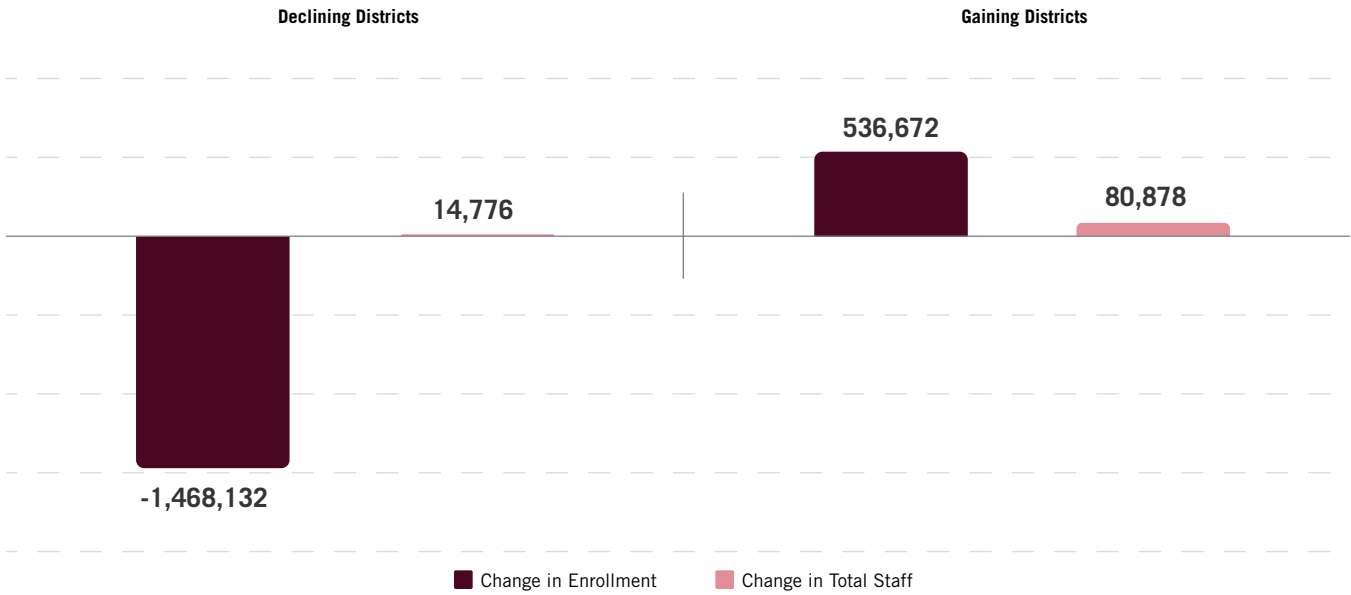
Some school finance data from that era is not yet available, though data on public school staffing are available up through AY 2023 (the 2022-23 academic year), and the increases in staffing between AY 2020 and 2023 are noteworthy. Four states had missing or unusable staffing data: California, Ohio, Utah, and Vermont. They do not factor into the analysis that follows, and neither do individual districts with missing staffing data. Still, 85.4% of the nation's school districts are included in the data described below (11,266 public school districts out of 13,196).

Of the 11,266 districts with complete staffing data, 66.4% experienced an enrollment decline between AY 2020 and 2023. The remaining 33.6% either maintained their enrollment or saw increased enrollment. The districts experiencing enrollment declines collectively served 1,468,132 fewer students in 2023 than they did in 2020 (Figure 23). Despite this 5.1% enrollment decline, these districts increased their number of full-time equivalent (FTE) employees by 14,776. Among districts with enrollment gains, the number of students served increased by 536,672, or 5.2%. Their FTE staff increased by 80,878 (6%).

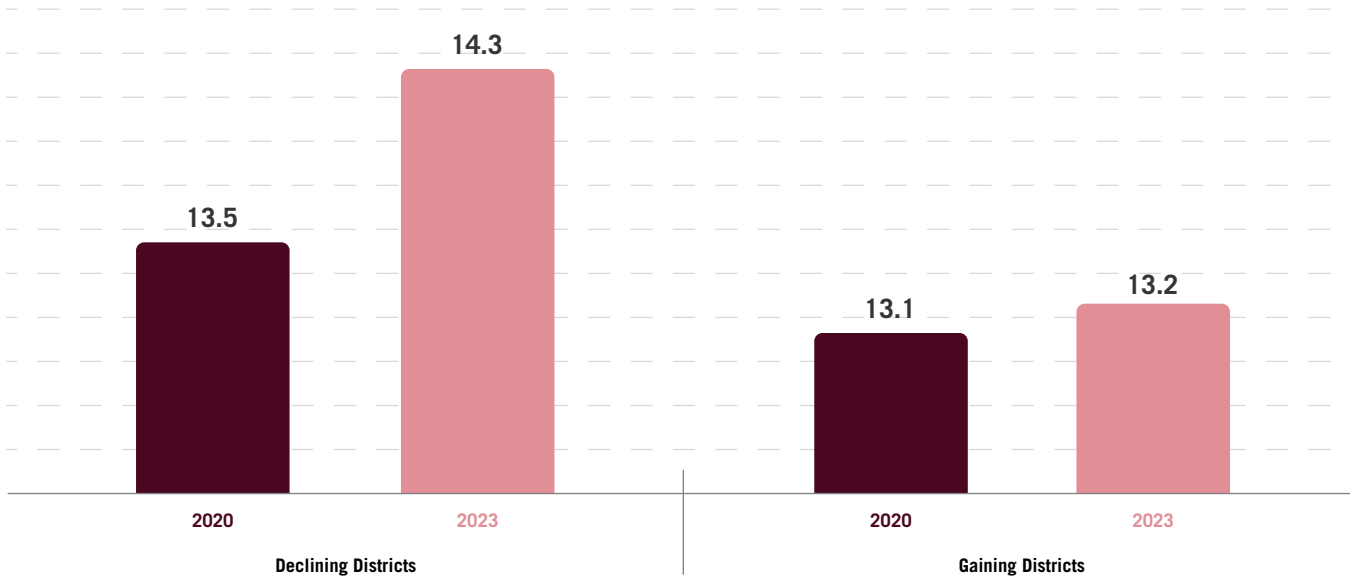
Figure 24 shows that districts with declining enrollment after 2020 had more staff per 100 students in AY 2020 than districts that gained enrollment (13.5 versus 13.1). Districts that saw enrollment growth managed to increase their staffing to 13.2 FTE staff per 100 students by 2023. Districts with enrollment declines increased their staffing ratio to 14.3 per 100 students—almost a 6% increase over a three-year period.

FIGURE 23**Change in Student Enrollment and FTE Staff Between AY 2020 and AY 2023**

The average district with an enrollment decline lost 5.1% of its students between academic years 2020 and 2023, yet it slightly increased its staffing.

**FIGURE 24****FTE Staff per 100 Students, AY 2020 and AY 2023**

The average district losing enrollment had more staff per 100 students in 2020 compared to districts with enrollment growth, and the gap significantly widened during the COVID era.



The average district that saw an enrollment decline between 2020 and 2023 served 3,792 students in 2020, while districts that saw enrollment growth were smaller and served an average of 2,720 students in 2020 (Figure 25).

The average district that shrank lost 196 students between 2020 and 2023 (a 5.1% decline) but increased its staffing by two FTE positions (Figure 26). Districts that gained students added an average of 142 students and 21 FTE positions.

The National Education Association, a leading union for school employees, is concerned that enrollment declines will make it difficult for districts to hire counselors and psychologists. Staffing for counselors and psychologists increased significantly between 2020 and 2023, however, both for districts that gained students and those that faced declining enrollment (Table 1 below).

smaller decline than their 5.1% decrease in students.

Another noteworthy pattern concerns administration and administration support staff. Both districts with enrollment declines and enrollment growth prioritized these administrative personnel after 2020. Districts that lost students by an average of 5.1% increased their administrative and administrative support staff by an average of 8%. If administrators and administrative support staff—all of them—were fixed costs that could not be reduced even when enrollment declines, their numbers would have increased by zero percent, not 8%. Districts that saw their enrollment grow by an average of 5.2% increased their administrative staff by 8.6% and their administrative support staff by 12.5% between 2020 and 2023. Again, if all administrative expenses were truly fixed, these increases would have been zero percent.

TABLE 1 Percentage Change in Students and Staffing Categories Between AY 2020 and 2023²⁷

Public school districts prioritized the employment of administrators, administrative support staff, and counselors & psychologists after 2020.

| | Percentage Change 2020 to 2023 | |
|----------------------------|--------------------------------|-------------------|
| | Declining Districts | Gaining Districts |
| Students | -5.1% | 5.2% |
| Total Staff | 0.2% | 5.8% |
| Teachers | -1.2% | 5.3% |
| Administrators | 8.0% | 8.6% |
| Admin Support | 8.0% | 12.5% |
| Counselors & Psychologists | 2.7% | 6.4% |
| All Other Staff | -1.0% | 5.0% |

Given that districts with enrollment declines added, on average, only two FTE positions after 2020, they clearly changed their mix of employees during the COVID-era, leading to more administration and fewer teachers and fewer support staff (“All other staff” in Table 1). State legislators should ask tough questions of public school district leaders about this increase in administration.

Some analysts are worried about the “fiscal cliff” facing school districts in upcoming years after the increased federal funding in the ESSER must be spent.²⁸ They worry that districts will have to reduce employment starting in AY 2025 or 2026. The ranks of administration and administration support staff would be a great place for districts to reduce employment. Given the likelihood of further enrollment declines, higher property tax bases, and the favorable school finance system facing public school districts that lose enrollment, it is unlikely that any material employment declines will be needed in virtually any district. “Material” in this case means reductions in employment that impact the education of students in any negative way. As an example of an immaterial reduction in force, a proportional decline in cafeteria staff due to a significant reduction in enrollment is unlikely to harm students.

This choice to hire more counselors and psychologists seems wise given the mental health challenges facing students over the past 15 years, which appear to have increased significantly after the onset of the COVID-19 virus. Perhaps surprisingly, given media reports regarding shortages, districts with growing enrollment increased their employment of teachers even more than growth in students—by 5.3% versus 5.2% (Table 1). Districts with enrollment declines reduced their teacher forces by 1.2%—a much

FIGURE 25

Average Number of Students, AY 2020

Districts that lost enrollment after 2020 were significantly larger, on average, than districts that gained enrollment during the COVID era.

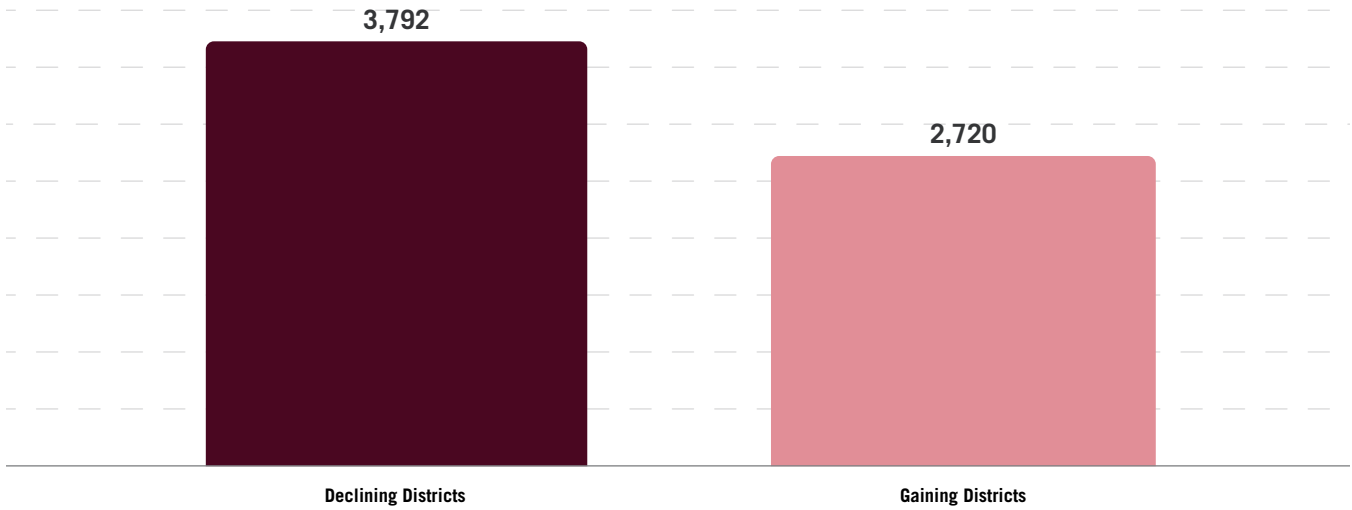
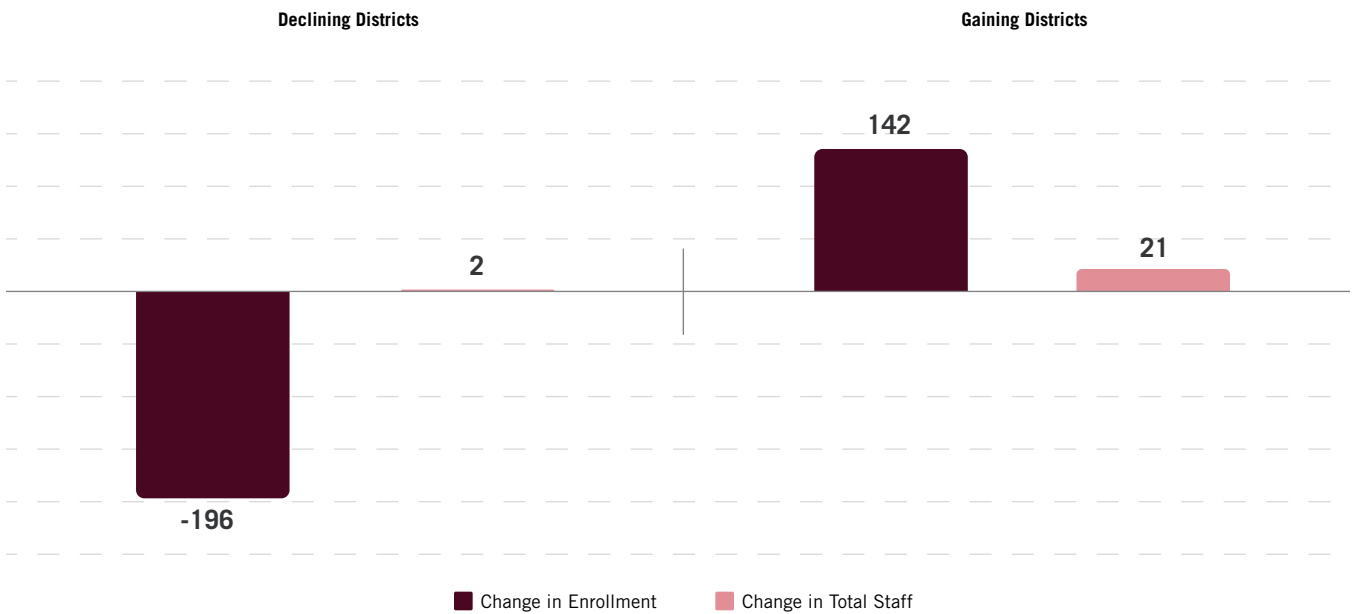


FIGURE 26

Average Change in Student Enrollment and FTE Staff per District Between AY 2020 and AY 2023

On average, both districts losing enrollment and districts gaining enrollment were able to increase their staffing between 2020 and 2023.



RURAL DISTRICTS SAW PATTERNS SIMILAR TO NATIONAL COVID-ERA TRENDS

Rural districts that lost students between 2020 and 2023 were favorably treated by the school finance system, just like their counterparts elsewhere. But there were some differences between rural and nonrural districts.

Among the 6,136 rural public school districts with complete data on staffing, 61.8% experienced an enrollment decline after 2020, less than the 66.4% for all districts that saw enrollment decreases. Rural districts with declining enrollment served 230,740 fewer students in AY 2023 relative to 2020, but these districts managed to increase their staffing by 5,879 personnel (Figure 27). Rural districts with enrollment gains added 194,685 students and increased their staffing by 24,820 FTE personnel.

Rural districts with enrollment declines saw their staffing levels increase from 14.9 to 15.9 FTE staff per 100 students between 2020 and 2023 (Figure 28 below). Rural districts with gains in enrollment saw their staffing per 100 students fall slightly from 14 to 13.9.

Rural districts have significantly more staff per 100 students as compared to the national average. For example, in AY 2023, rural districts that lost enrollment after 2020 had 15.9 FTE staff per 100 students (Figure 28), while the corresponding figure among all districts (rural, suburban, urban) that lost enrollment was 14.3 (Figure 24). Thus, students in rural districts with declining enrollment had access to about 11% more staff than the national average for all districts with enrollment declines.

Rural districts have lower average enrollments than their suburban and urban counterparts. The average rural district that saw enrollment decline between 2020 and 2023 served 1,157 students in 2020, while districts that saw enrollment growth during this period were a bit smaller and served an average of 1,077 students (Figure 29 below).

FIGURE 27 Change in Student Enrollment and FTE Staff in Rural Districts Between AY 2020 and AY 2023

The average rural district losing enrollment lost 5.3% of its students between the academic years 2020 and 2023 and increased its staffing.

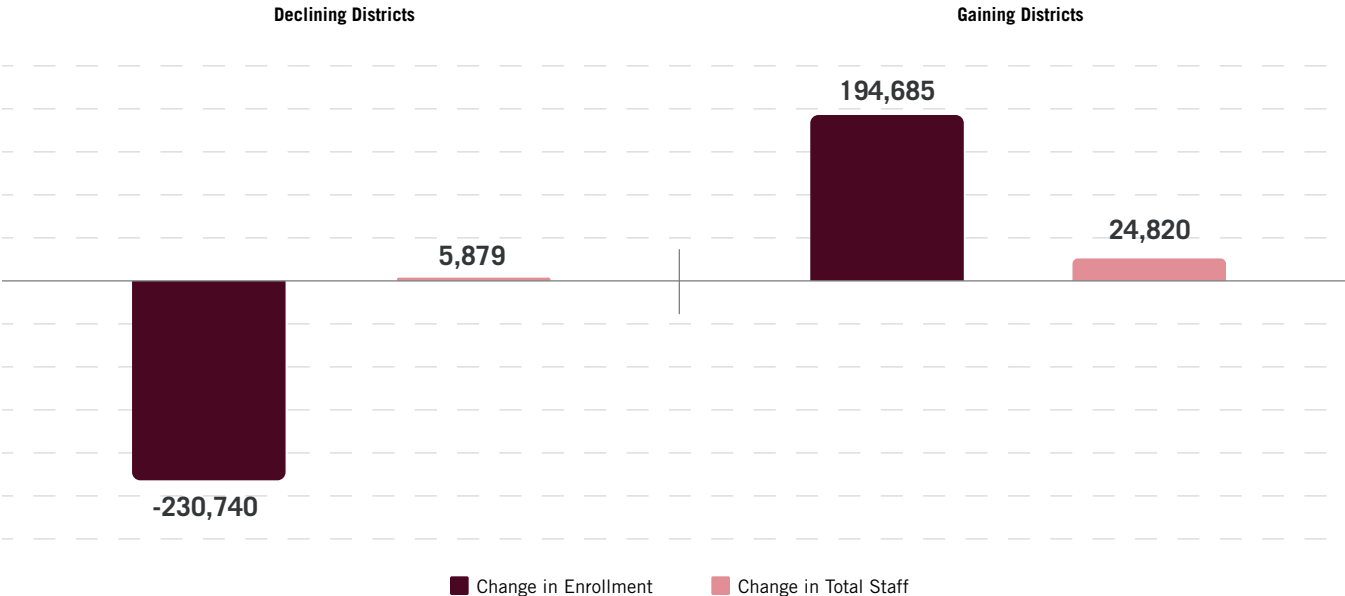


FIGURE 28

FTE Staff per 100 Students in Rural Districts, AY 2020 and AY 2023

The average district losing enrollment had more staff per 100 students in 2020 relative to districts with enrollment growth, and the difference significantly increased during the COVID era.

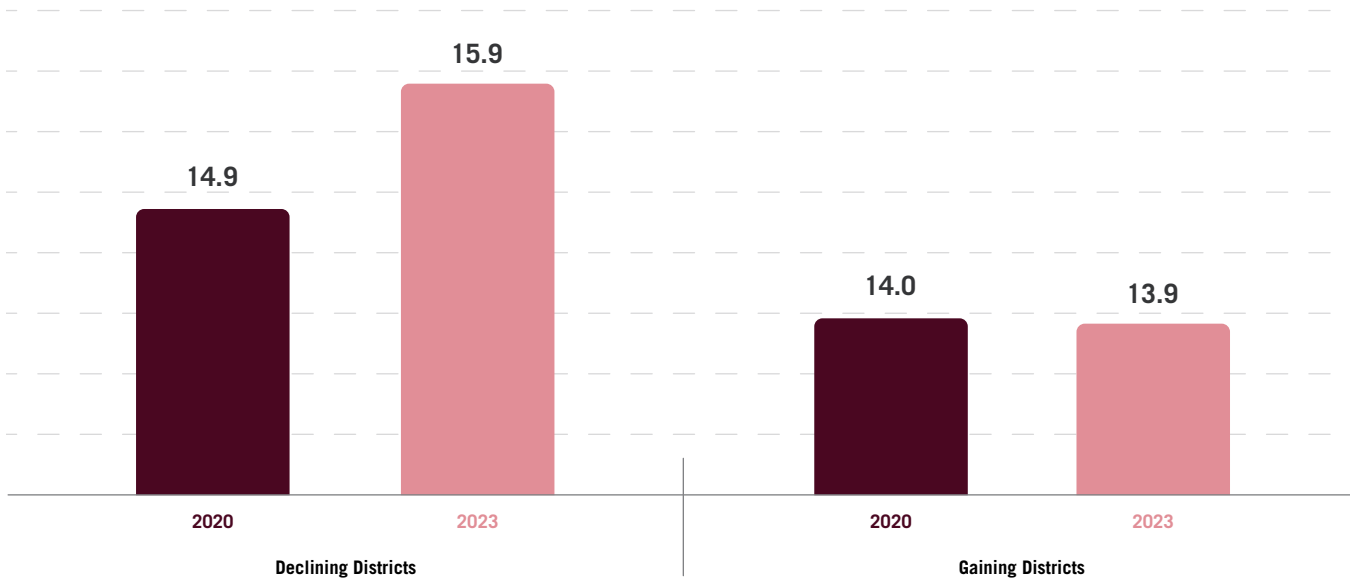
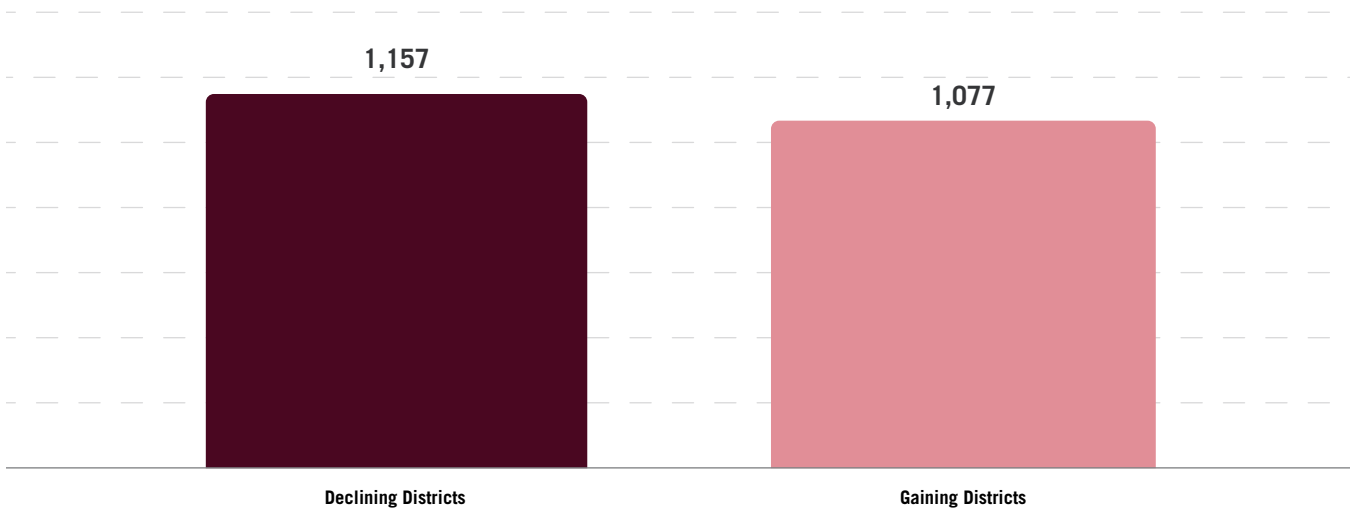


FIGURE 29

Average Number of Students per Rural District, AY 2020

Rural districts that lost enrollment after 2020 were initially a bit larger, on average, than rural districts that gained enrollment during the COVID era.



Rural districts that experienced enrollment declines served an average of 61 fewer students in AY 2023 as compared to 2020, and they added two staff, on average (Figure 30). Among all districts nationally with enrollment declines after 2020, the average district lost 196 students, and the national increase in staffing was two additional personnel (Figure 26). Thus, rural districts losing students fared significantly better than the national average. They lost only one-third as many students as the national average, but they gained the same number of staff (two).

While the nation’s districts added counselors and psychologists, whether they lost or gained enrollment (Table 1), the same is not true of rural districts. Only districts that gained enrollment added these professionals (8%, Table 2), as enrollment increased by 8%. Rural districts as a whole increased their employment in administration by a smaller rate than the national one.

TABLE 2

Percentage Change in Students and Staffing Categories, Rural Districts. AY 2020 to 2023

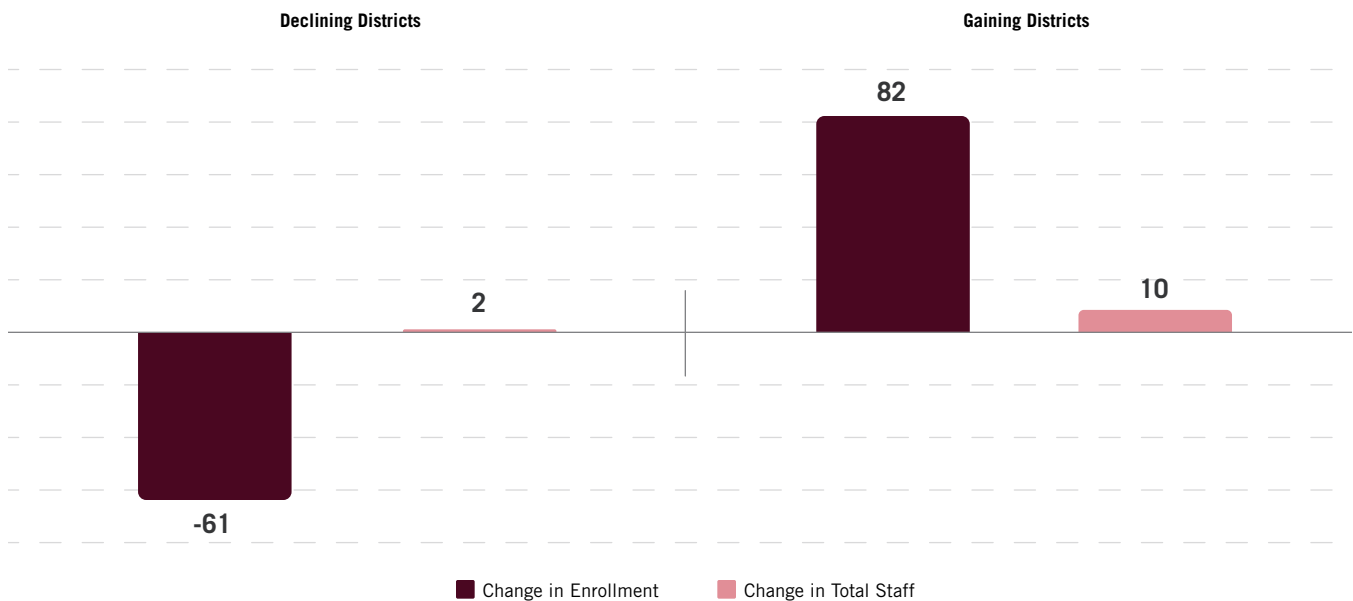
Rural public school districts prioritized administrators and administrative support staff after 2020.

| | Percentage Change 2020 to 2023 | |
|----------------------------|--------------------------------|-------------------|
| | Declining Districts | Gaining Districts |
| Students | -5.2% | 7.9% |
| Total Staff | 0.4% | 7.1% |
| Teachers | -0.7% | 7.2% |
| Administrators | 6.1% | 10.1% |
| Admin Support | 4.8% | 8.5% |
| Counselors & Psychologists | -1.2% | 8.0% |
| All Other Staff | 0.3% | 6.2% |

FIGURE 30

Rural Districts, Average Change in Student Enrollment and FTE Staff per District Between AY 2020 and AY 2023

On average, both rural districts losing enrollment and rural districts gaining enrollment increased their staffing between 2020 and 2023.



RUNDOWN OF SECTION RESULTS

Rural districts that had enrollment declines during COVID largely followed national patterns. Between AY 2020 and 2023, public school districts, including rural ones, slightly increased the number of personnel hired despite serving about 5% fewer students. Even during COVID, the systems of school finance favor districts with declining enrollment, according to the staffing data available. It will be interesting to see, when the fiscal data become available, to what extent the relatively large declines in enrollment that happened in the wake of the pandemic will translate into changes in other resources for the students who remain in district public schools.

CONCLUSION

This report analyzes the effects of enrollment shifts—both increases and decreases in enrollment—on public school district finances and the resource levels available for students. Data from the enrollment shifts that occurred in district public schools in the years immediately prior to the COVID-19 pandemic provides the first direct evidence regarding the claim that enrollment declines in district public schools disadvantage the students who remain. Since the fiscal data for the COVID era are not available at the time of writing, the report can only give a first look at the effects of enrollment shifts on public school staffing during that time.

Most American public school districts were experiencing enrollment declines in the years before the COVID-19 pandemic. Among districts with complete data on school resources, 6,072 out of 10,557 districts (57.5%) experienced an enrollment decline between academic year (AY) 2018 and 2019. More than half—58.8%—saw an enrollment decline between AY 2015 and 2019. And 62.8% of districts saw an enrollment decline between 1998 and 2019.

This report looks at three time periods: 2018 to 2019; 2015 to 2019; and 1998 to 2019. In each, the systems of school finance privilege public school districts that experience enrollment declines. As a result, these districts saw increases in total expenditures per student that exceeded the increases experienced by districts that saw enrollment gains. Increases for both types of districts were well above increases in the cost of living in all three time periods under study.

Districts with declining enrollment were able to increase total expenditures per student by so much more than districts with enrollment gains because the former saw larger increases in per-

student local, state, and federal revenues, relative to districts experiencing enrollment gains. The specific reasons will vary across states. Typical reasons include the following: local funding is often not automatically reduced when student enrollments decline; some state funding is not directly tied to enrollment; and, in practice, federal funding is not proportionately reduced when enrollment decreases.

The larger increases in financial resources districts with declining enrollment receive translated into larger increases in real resources for students. These increases were over and above the increases in real resources available to districts with increases in enrollment. The real resources considered in this report are total staff per 100 students; average compensation per full-time equivalent (FTE) employee; capital expenditures; and the net fiscal position of districts, where the latter is a long-term fiscal outcome.

Further, separate analyses of rural school districts find that rural districts with declining enrollment had larger increases in resources over time relative to rural districts with enrollment gains.

Myriad data show that, contrary to the conventional and widely held belief, public school districts losing enrollment over time do not experience negative fiscal shocks in the short-, medium-, or long-term. On the contrary, school finance systems in America favor them. Districts losing enrollment can retain funds for students they no longer serve, which leads to significant increases in real resources for the students who remain.

Policymakers who consult the historical data presented in this report can conclude that declining enrollment in public school districts is not a matter of grave concern. Given that past enrollment

declines have led to more resources for students who remain in district public schools—where the increases were even larger than the increases in resources for students in districts with enrollment gains—it is reasonable to expect this pattern to continue. That is, we can expect to see a positive financial windfall in districts that experience enrollment declines.

ADVICE FOR LOCAL VOTERS AND POLICYMAKERS

The U.S. Department of Education is forecasting significant enrollment declines for public schools through 2031. It is imperative that you work hard (as you are already doing) to make your schools even better and even more interesting so that you may persuade more families to entrust their children’s education to your schools. If you have not done so already, end “last-in, first-out” (LIFO) policies that require public school districts to lay off the newest teachers when a staff reduction is required. LIFO policies require district leaders to let go some excellent teachers and retain subpar ones. There is evidence that school leaders know who the lowest-performing teachers are.²⁹

On the fiscal side, when there is an enrollment decline, do a position study to see if you truly need, or are required by the federal or your state government, to have all the positions you have on your staff. End any unneeded positions that you are not legally required to fill. Be especially focused on administrative positions, as these have increased as enrollments have fallen. Sell off vacant buildings and properties. Use the proceeds to reduce debt, save for a rainy day, and/or reduce property taxes, which will attract more families.

ADVICE FOR STATE VOTERS AND POLICYMAKERS

Choice programs lead to more resources for students who remain in public schools, as explained here and previously demonstrated elsewhere.³⁰ Choice programs have, with few exceptions, played only a very minor role in enrollment declines in district public schools in recent decades. But as these programs have recently expanded in many states, they will soon play a larger role. This report and other studies suggest that choice programs leave more resources for students who remain in public schools.

The bulk of the evidence indicates that choice programs benefit students who exercise choice. There are also modest academic benefits for students who remain in district public schools.³¹ Given the positive fiscal and academic effects of choice programs, voters and policymakers should consider proposals to give families more educational choice.

If the U.S. Department of Education’s forecasts prove correct, the cost of state funding for “ghost students” via hold-harmless and other provisions will continue to rise. Thus, states should rethink these provisions and make state funding of schools more dependent on enrollment. Such a change will lessen resource advantages for districts experiencing enrollment declines, but districts in most states will still have control over whether they retain current levels of local funding even if they serve fewer students. Thus, districts with enrollment declines will still be privileged and be able to increase resources for their students. Also, there is empirical evidence that making more funding enrollment-driven will improve academic outcomes for students.³² When more funding follows the child, public school districts have a stronger financial incentive to better serve each child.

ADVICE FOR FEDERAL VOTERS AND POLICYMAKERS

Some policymakers and advocates have called for the federal government to maintain its pandemic-era increase in funding to school districts. They fear that districts will face a “fiscal cliff” after September 2024 or 2026 when all this extra money must be spent.

About two-thirds of districts saw an enrollment decline since the start of the pandemic, and they already get to retain extensive funding for students they no longer serve. Given that the systems of school finance already favor those districts, there is no strong argument for the federal government to go beyond its routine, pre-pandemic levels of funding.

APPENDIX 1 –PUBLIC SCHOOL ENROLLMENT SHIFTS AND CHANGES IN RESOURCES FOR STUDENTS, ALL DISTRICTS, 1998 TO 2019

FIGURE A1.1

Enrollment Shifts in American Public School Districts Between AY 1998 and AY 2019

62.8% of American public school districts faced declining student enrollment in the years just before the COVID-19 Pandemic.

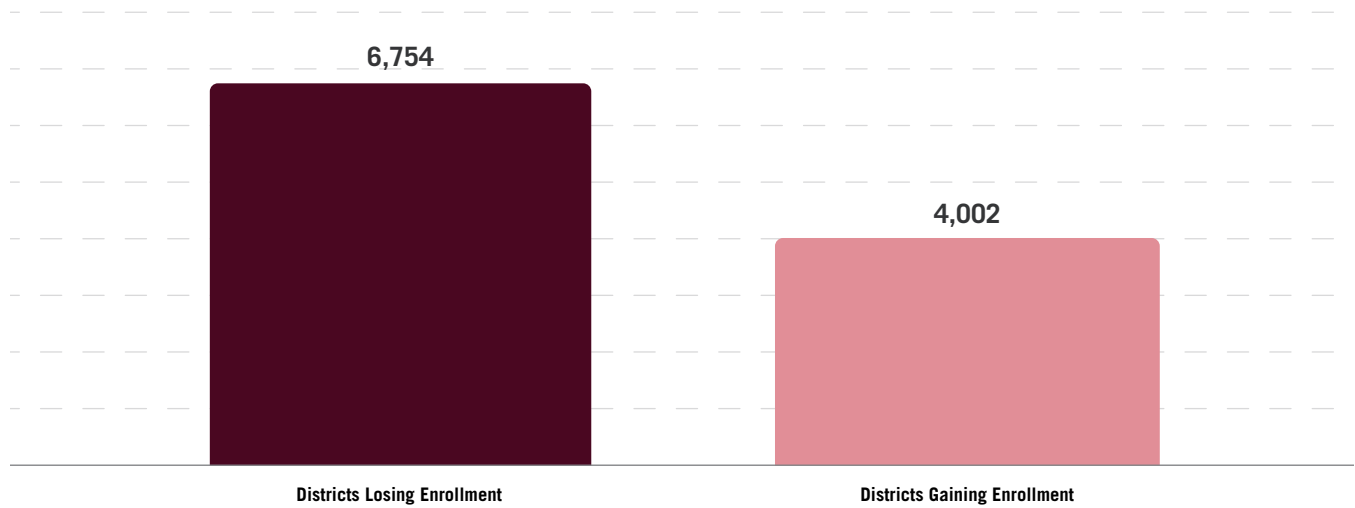


FIGURE A1.2

Average Change in Student Enrollment Between AY 1998 and AY 2019

The average district losing enrollment lost 18.6% of its students between academic years 1998 and 2019, while districts gaining enrollment saw an average increase of 33.5%.

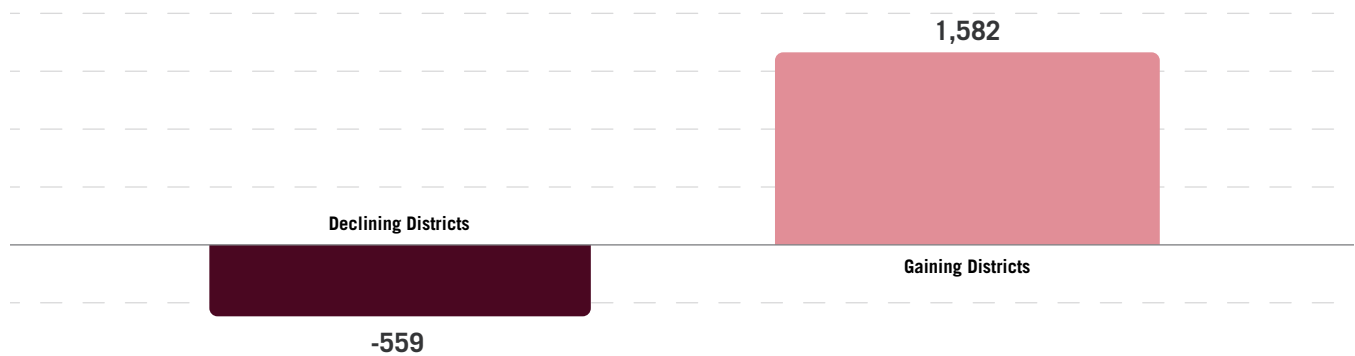
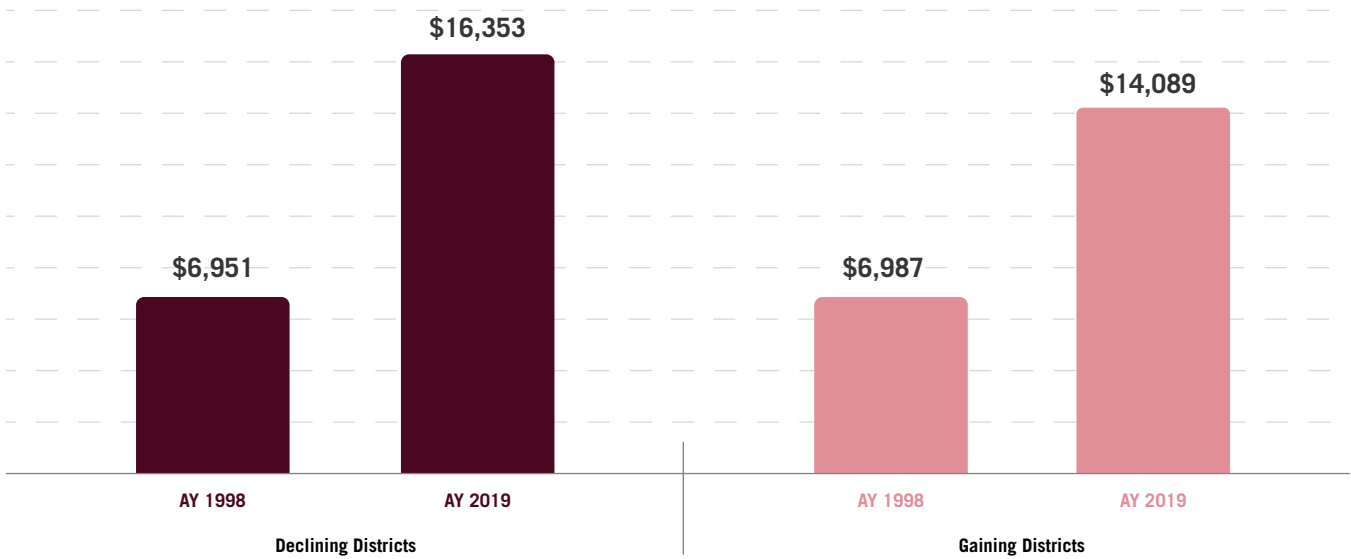


FIGURE A1.3**Total Expenditures per Student, AY 1998 and AY 2019**

In AY 2019, the average district with declining enrollment over the prior 21 years spent significantly more per student than growing districts. This was due to a larger increase in expenditures per student over the 1998 to 2019 time period, 135.3% versus 101.6%.

**FIGURE A1.4****Percentage Change in District Revenues per Student by Source, AY 1998 to AY 2019**

Given favorable public school finance systems, districts with declining enrollment saw larger increases in per-student revenues from local, state, and—to a smaller extent—federal sources. These increases were well above inflation (45.2%) from 1998 to 2019.

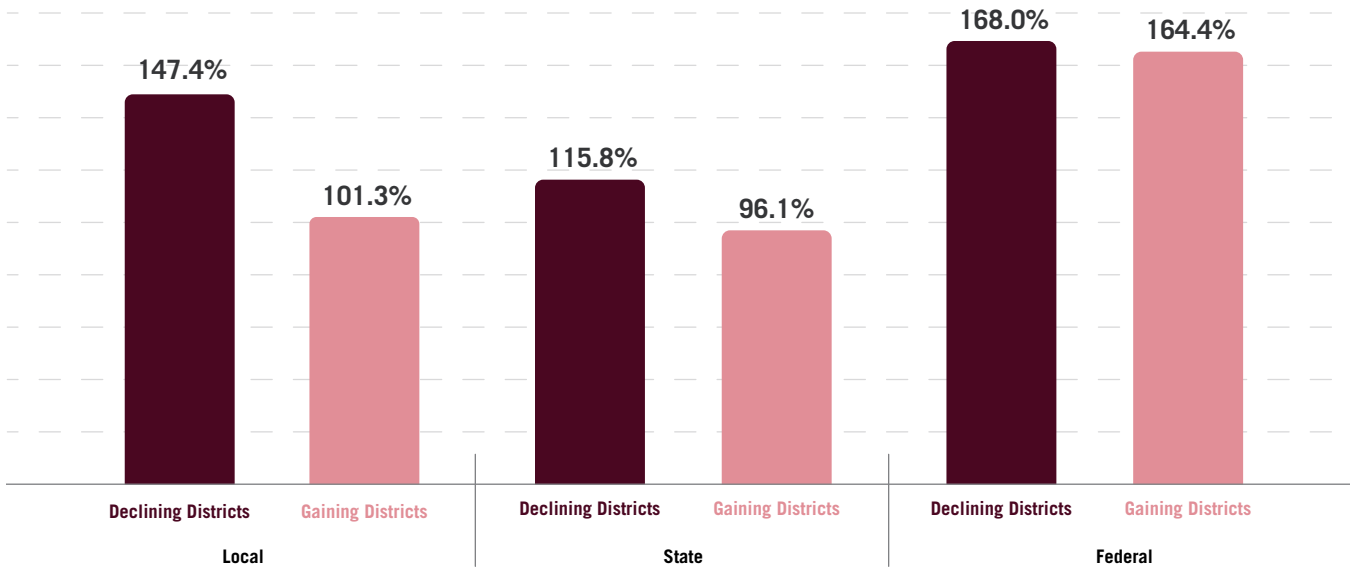
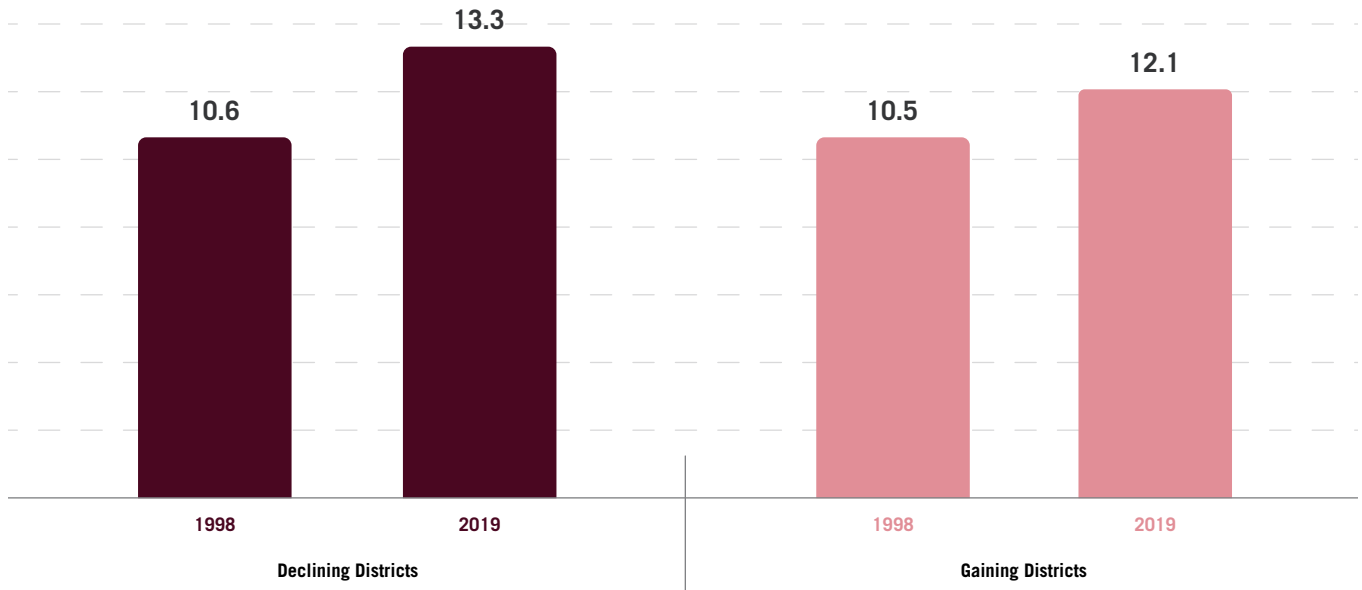


FIGURE A1.5**Total Staff per 100 Students, AY 1998 and AY 2019**

Districts losing enrollment had slightly more staff per 100 students in AY 1998 and their advantage significantly widened as their enrollment fell between AY 1998 and 2019. In 2019, the average 500-student school that saw declines in enrollment over the prior 21 years had six more staff than schools of the same size that had seen enrollment gains.

**FIGURE A1.6****Total Compensation (Salary and Benefits) per FTE Staff, AY 1998 and AY 2019**

Districts with declining enrollment had better-compensated staff in AY 1998 and the gap widened as their student enrollment fell between 1998 and 2019. Districts with declining enrollment saw their personnel receive a 76.7% average increase in compensation between 1998 and 2019, while districts with enrollment gains had an average compensation increase of 72.4%. Both increases were well above the increase in the cost of living (45.2%).

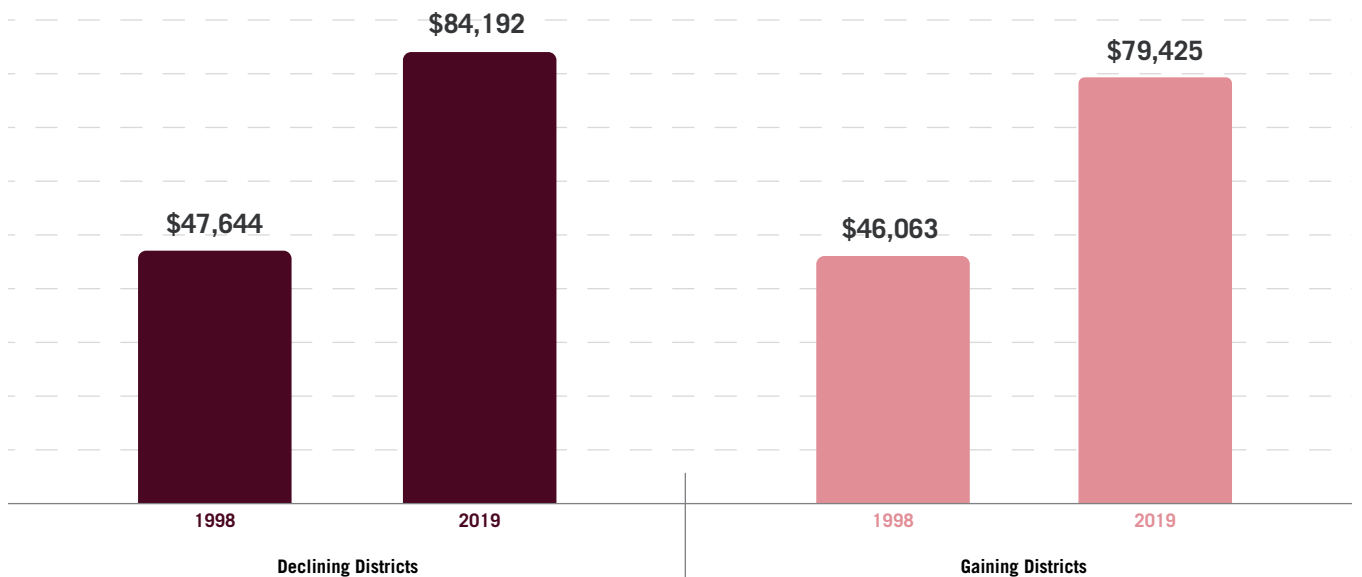
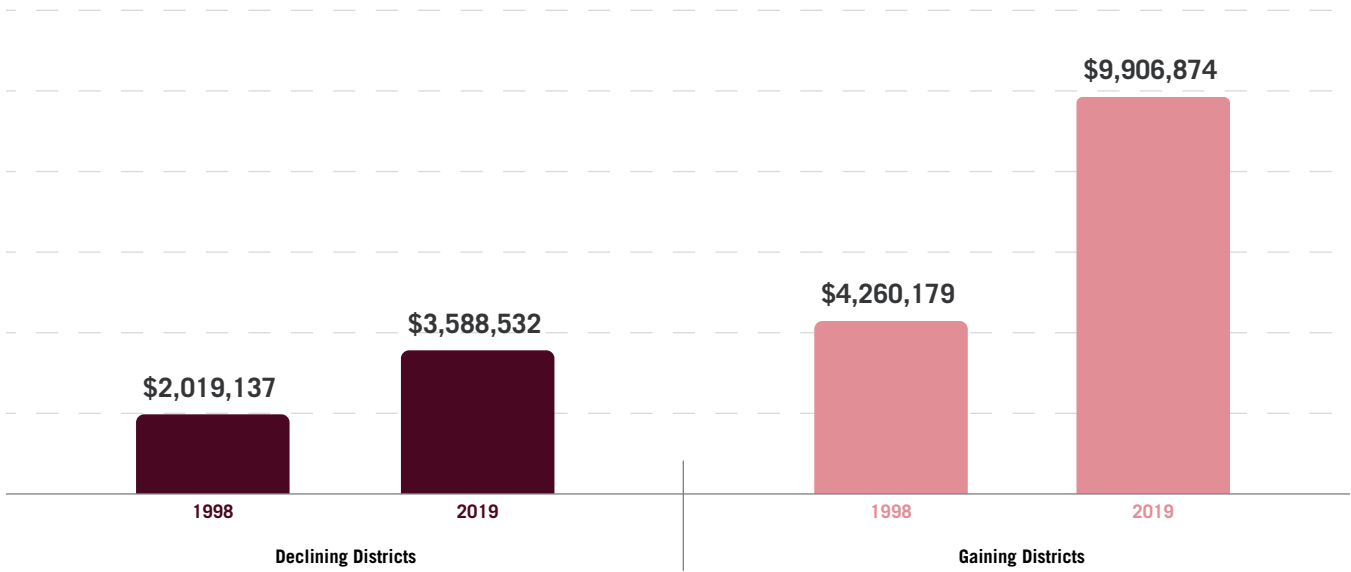
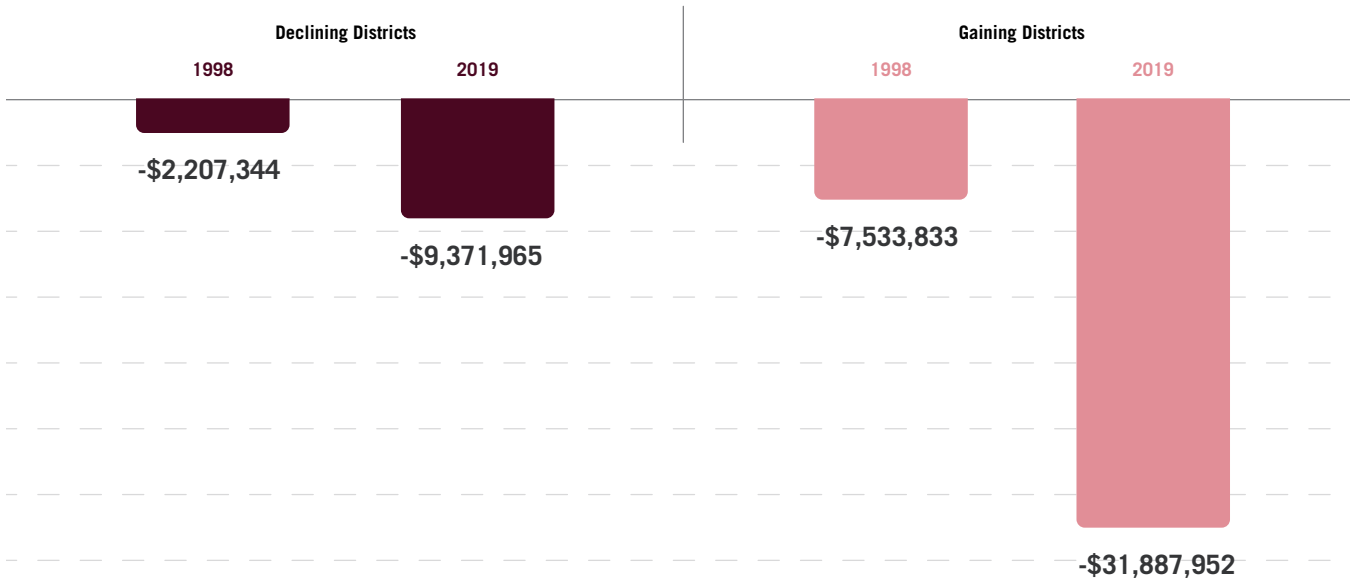


FIGURE A1.7**Change in Total Expenditures on Capital, AY 1998 to AY 2019**

Between 1998 and 2019, districts experiencing enrollment declines and enrollment increases were able to increase capital expenditures—77.7% and 132.5%, respectively—about 1.5 and three times the rate of inflation (45.2%), respectively.

**FIGURE A1.8****Net Fiscal Position (Unspent Cash and Securities Minus Total Debt), AY 1998 and AY 2019**

Districts losing enrollment had a better net fiscal position relative to districts experiencing enrollment increases in both 1998 and 2019.



APPENDIX 2 – RURAL PUBLIC SCHOOL ENROLLMENT SHIFTS AND CHANGES IN RESOURCES FOR STUDENTS, 2015 TO 2019

FIGURE A2.1

Enrollment Shifts in Rural Public School Districts, AY 2015 to 2019

59.7% of rural public school districts saw declining enrollment in the years before the COVID-19 pandemic.

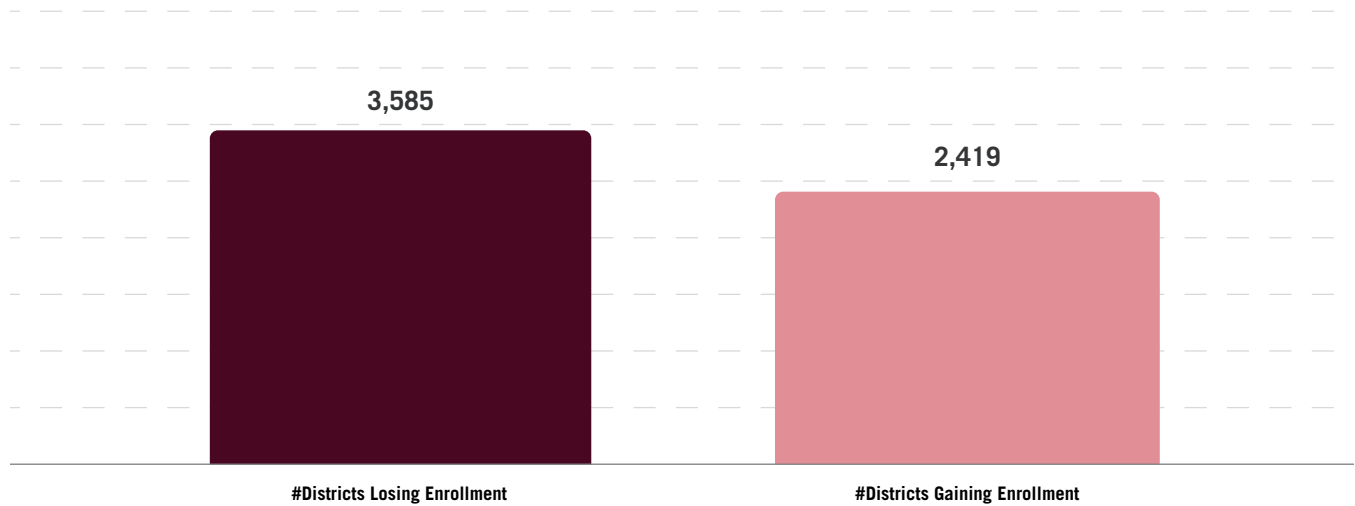


FIGURE A2.2

Average Change in Student Enrollment in Rural Districts, AY 2015 to 2019

The average rural district that lost enrollment lost 7.9% of its students between academic years 2015 and 2019, while rural districts gaining enrollment saw an average increase of 8.3%.

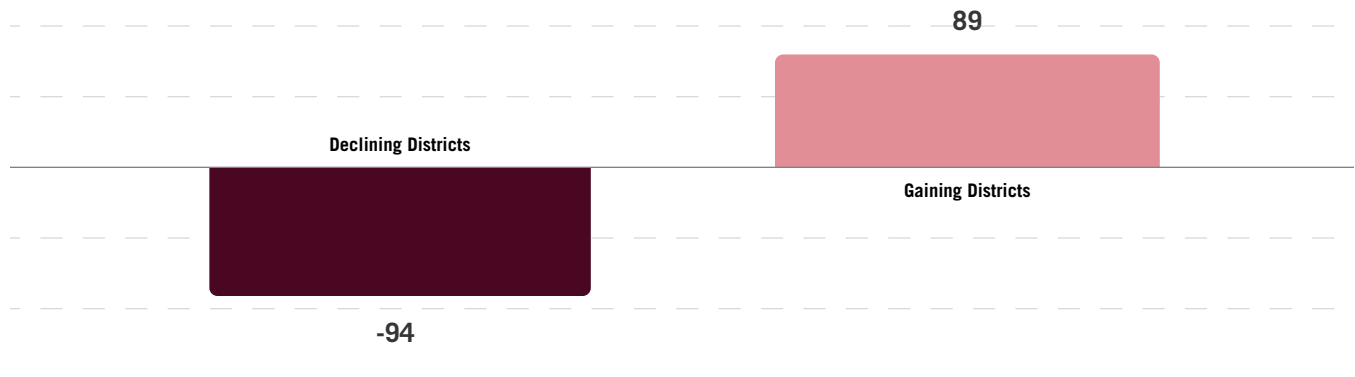
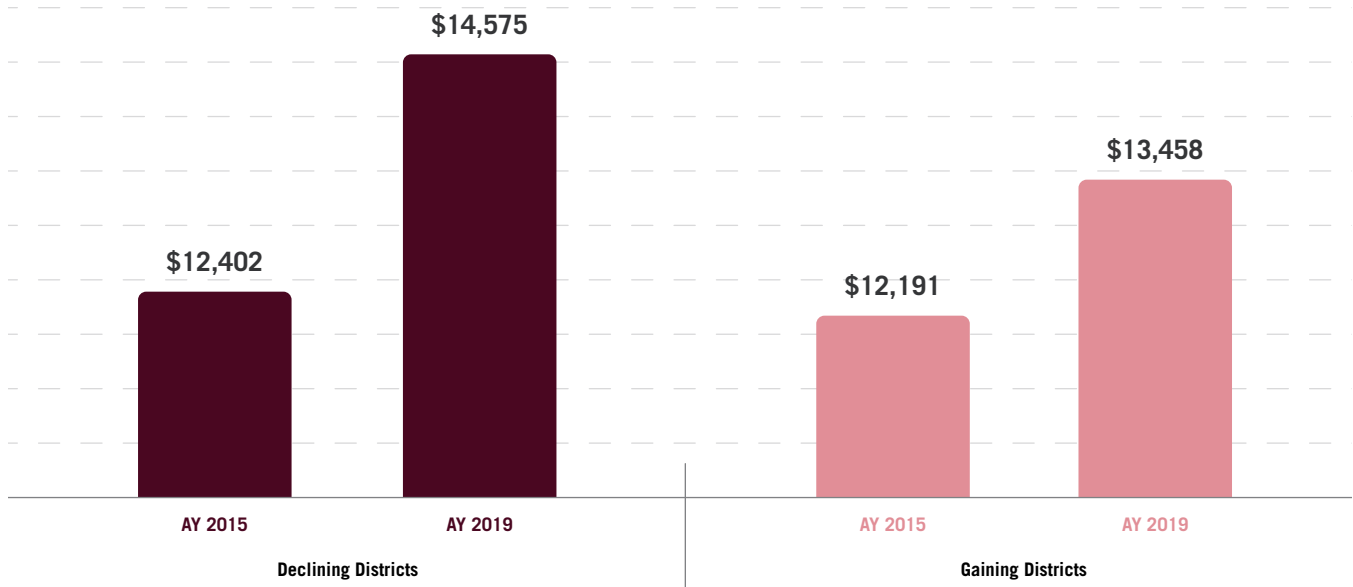


FIGURE A2.3**Total Expenditures per Student, AY 2015 and AY 2019**

The average district with declining enrollment spent a bit more per student and saw a larger increase in expenditures per student (17.5% versus 10.4%) as compared to the average district with enrollment gains.

**FIGURE A2.4****Change in Rural District Revenues per Student by Source, AY 2015 to AY 2019**

Given a favorable public school finance system, districts with declining enrollment saw larger increases in per-student revenues from local, state, and federal sources, and these increases were two- to three times the rate inflation (6.3%) from 2015 to 2019.

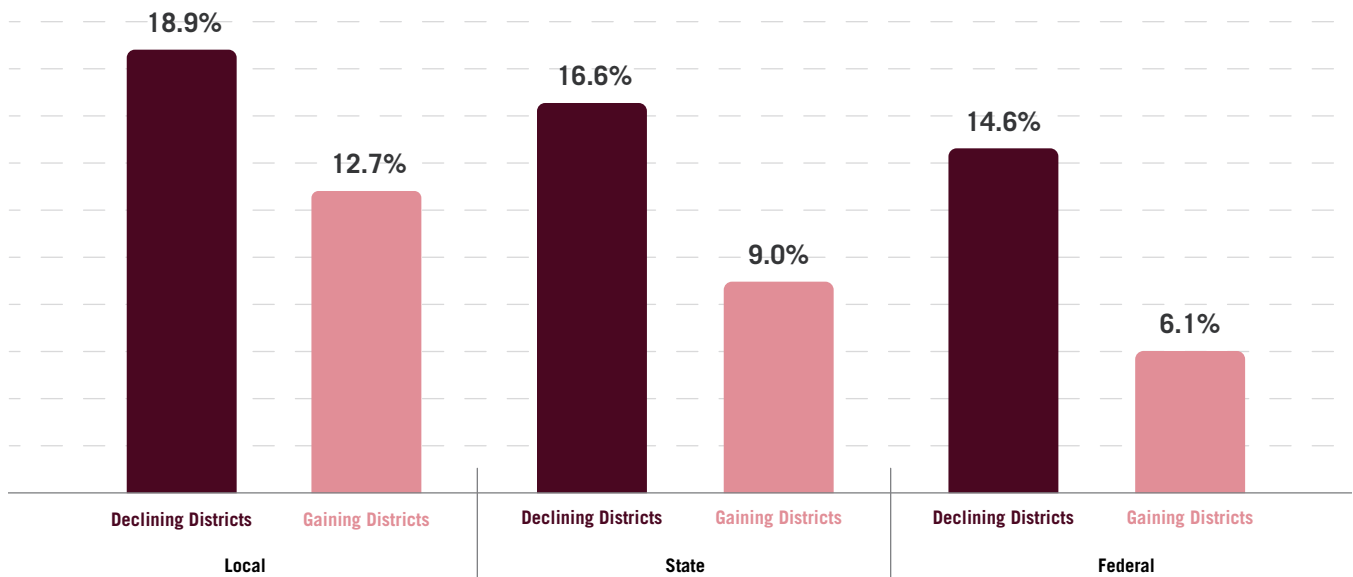
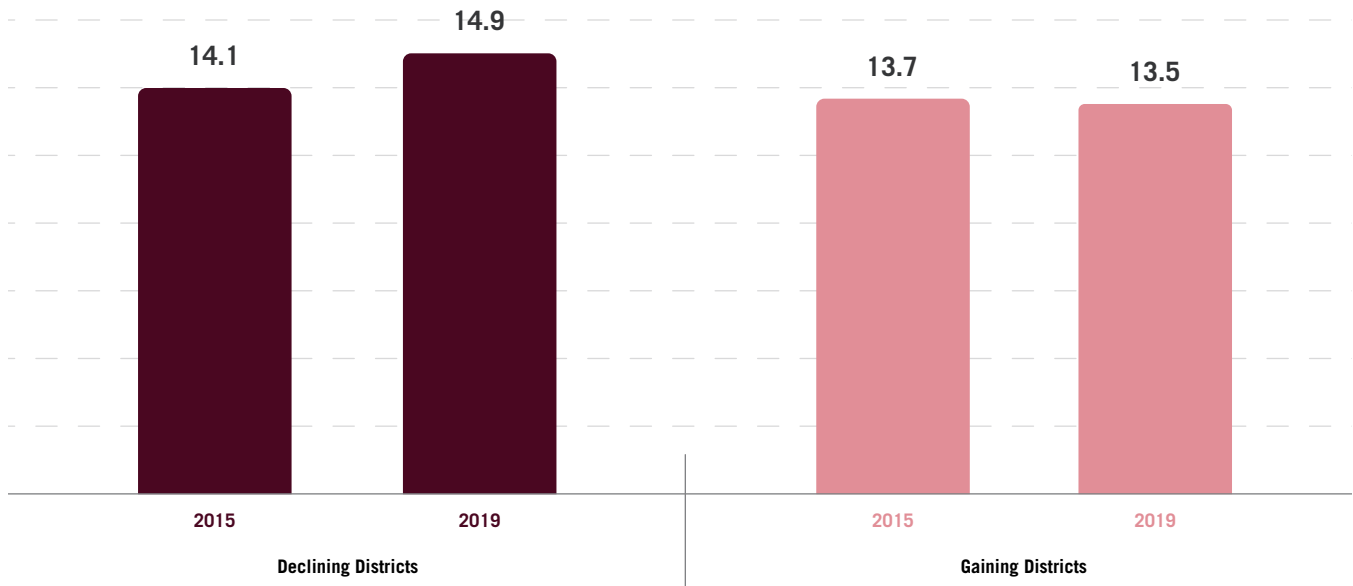


FIGURE A2.5**Total Staff Per 100 Students, Rural Districts, AY 2015 and AY 2019**

Rural districts that lost enrollment had more staff per 100 students in AY 2015 and their advantage over districts with enrollment gains significantly widened as enrollment fell between AY 2015 and 2019. In 2019, the average 500-student rural school with declining enrollment during the previous four years had seven more staff than schools of the same size.

**FIGURE A2.6****Rural Districts, Total Compensation (Salary and Benefits) Per FTE Staff, AY 2015 and AY 2019**

Rural districts that lost enrollment had better-compensated staff in AY 2015, and the gap narrowed slightly as their student enrollment fell between 2015 and 2019. Rural districts that lost enrollment saw their personnel receive a 10% average increase in compensation between 2015 and 2019, while rural districts with enrollment gains had an average compensation increase of 11%. The increase in the cost of living was 6.3%.

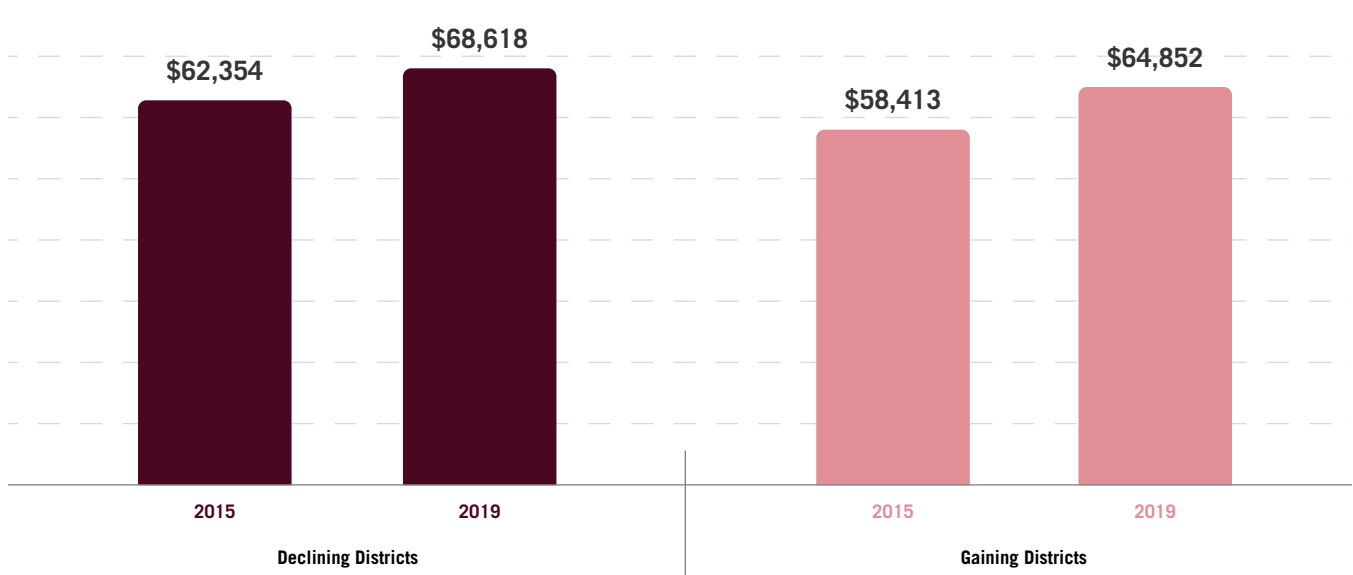
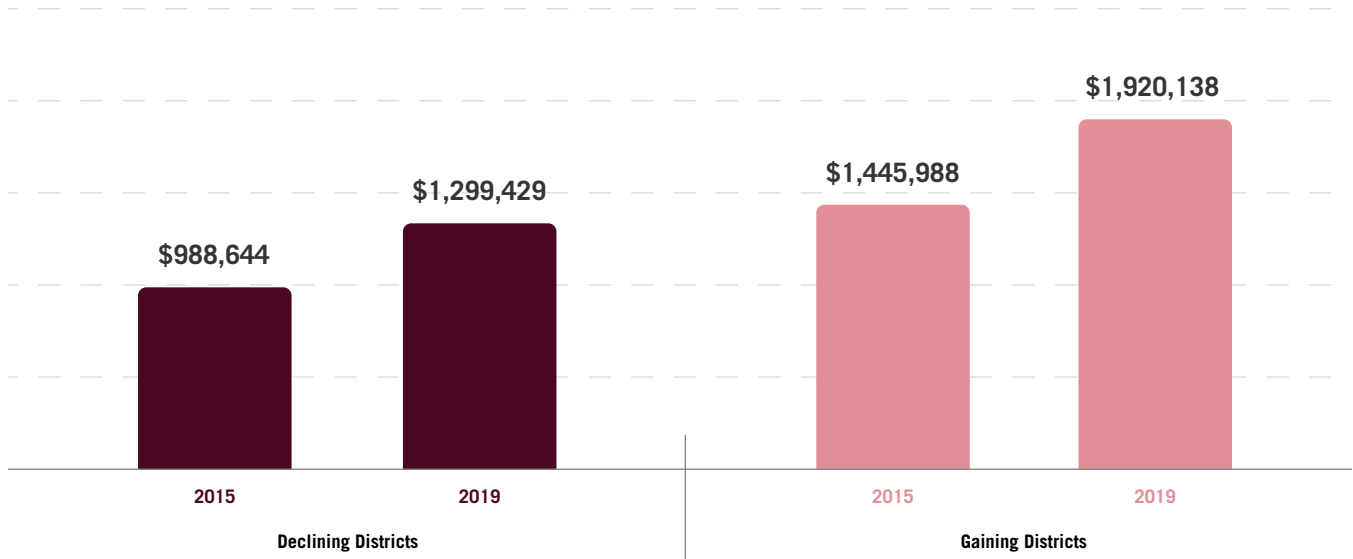
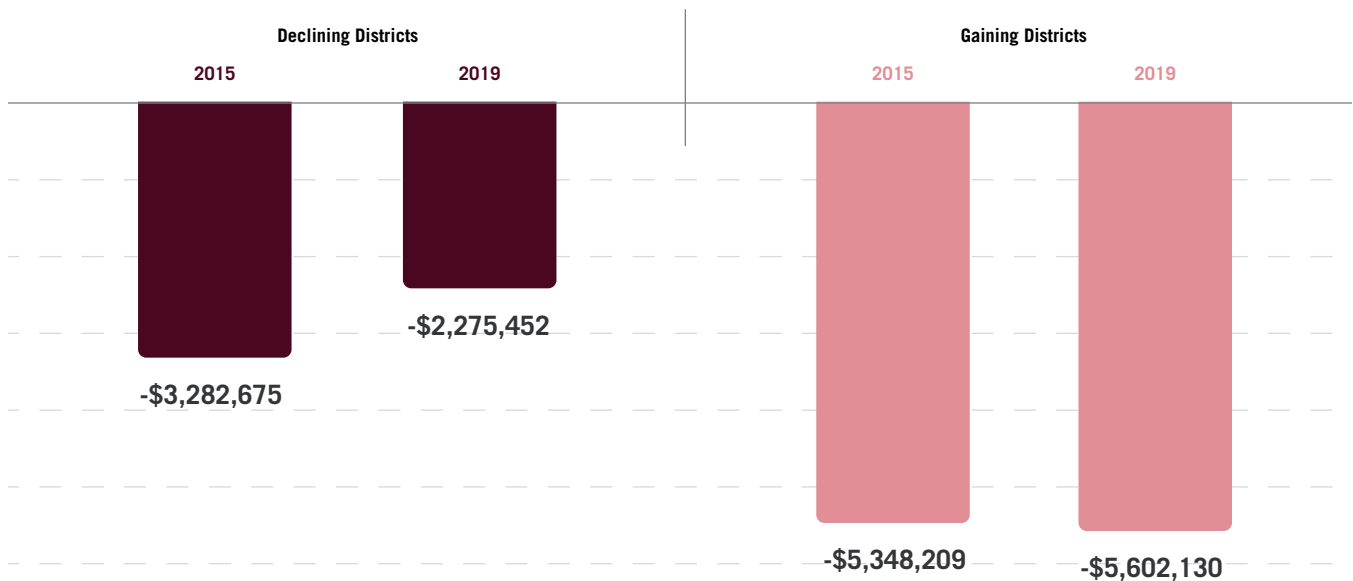


FIGURE A2.7**Change in Total Expenditures on Capital, AY 2015 to AY 2019**

Between 2015 and 2019, rural districts experiencing enrollment declines and enrollment gains saw increased capital expenditures—31.4% and 32.8%, respectively, or about five times the rate of inflation (6.3%).

**FIGURE A2.8****Net Fiscal Position (Unspent Cash and Securities Minus Total Debt), Rural Districts, AY 2015 and AY 2019**

Districts losing enrollment had a better net fiscal position relative to districts experiencing enrollment increases in both 2015 and 2019. Moreover, districts with declining enrollment saw an improvement in their net fiscal position.



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COMMITMENT TO METHODS & TRANSPARENCY



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This publication is intended to provide empirical information and should not be construed as lobbying for any position related to any legislation. The author welcomes all questions related to methods and findings.

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