

State Notes

TOPICS OF LEGISLATIVE INTEREST

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Declining Enrollment: A Continuing Issue **By Kathryn Summers-Coty, Chief Analyst**

Introduction

Beginning with the implementation of Proposal A in fiscal year (FY) 1994-95, the basis for providing operational funding to schools changed from property taxes to the number of children who are enrolled and counted in membership. For the first nine years after this change, pupil counts grew statewide, and many school districts benefited from increasing enrollment, and thus increased funding. However, beginning in FY 2003-04, statewide enrollments began to decline, continuing their decline today and into the foreseeable future. This article provides a history of recent pupil counts, projects pupil declines into the future, and discusses issues associated with declining enrollment.

Pupil Membership History

Since FY 1994-95, basic operational funding for schools has come from the foundation allowance. This method of funding continues today. For each pupil counted in membership, a district is paid its foundation allowance (currently a minimum of \$7,204). Students are counted twice a year, in the fall and spring. To determine a district's total pupil membership on which its foundation allowance funding will be paid, a weighted average is used. The current formula weights the number of pupils counted in the fall at 75%, and adds to that 25% of the pupils counted in the prior school year's February totals. The intent of this formula is to encourage retention of students from one year to the next; if a district is growing, the heavier weight on the fall count will boost that district's total pupil membership and generate additional funding.

Table 1 shows how statewide pupil memberships have changed, beginning with the year Proposal A was implemented through the upcoming fiscal year, based on the consensus estimate for FY 2008-09. The table shows that the peak for pupil counts was in FY 2002-03, and since that time, the State is predicted to see a decline by FY 2008-09 of more than 86,000 memberships, or 5.0%. The average foundation allowance in the State is roughly \$7,500 per pupil, and therefore those 86,000 fewer pupils represent nearly \$650.0 million in lost foundation allowance funding provided to school districts. As discussed below, this funding actually is returned to the school districts in the form of increases in the foundation allowance that otherwise would not have been possible due to revenue constraints over the last few years. On a net basis, however, districts are not "winning".

Reasons for Declining Enrollment

The primary reason for declining enrollments in the State is a corresponding reduction in births. Table 2 shows how actual births have changed over the last 30 years. Michigan's peak in births occurred in 1990; this number represents the children who, for the most part, would have graduated this spring. Each successive year has seen fewer births, which translate to fewer children entering kindergarten statewide. As shown in this table, recent years are continuing the decline. Therefore, based on this primary factor, the State will



continue to see fewer and fewer K-12 students in schools, regardless of other factors such as net out-migration, home schooling, or private school enrollment.

Table 1

Pupil Membership History FY 1994-95 to FY 2008-09				
Blend Calculation	Fiscal Year	Local Districts	Charter Schools	Total
50/50	1994-95	1,593,306	0	1,593,306
50/50	1995-96	1,610,130	4,790	1,614,920
50/50	1996-97	1,634,074	11,520	1,645,594
60/40	1997-98	1,651,011	19,202	1,670,213
60/40	1998-99	1,656,186	31,109	1,687,295
75/25	1999-2000	1,651,300	45,290	1,696,590
80/20	2000-01	1,649,085	55,072	1,704,157
80/20	2001-02	1,647,459	62,113	1,709,572
80/20	2002-03	1,647,531	67,336	1,714,867
80/20	2003-04	1,640,929	73,473	1,714,402
75/25	2004-05	1,626,289	81,491	1,707,780
75/25	2005-06	1,607,880	89,654	1,697,534
75/25	2006-07	1,584,435	96,627	1,681,062
75/25	2007-08	1,553,585	98,939	1,652,524
75/25	2008-09 Est.	1,525,600	103,000	1,628,600

Source: State Aid Status Reports

Table 2

Actual Births in Michigan: 1978 through 2007			
<u>Year</u>	<u>Births</u>	<u>Year</u>	<u>Births</u>
1978	138,802	1993	139,560
1979	144,452	1994	137,844
1980	145,162	1995	134,169
1981	140,579	1996	133,231
1982	137,950	1997	133,549
1983	133,026	1998	133,649
1984	135,782	1999	133,429
1985	138,052	2000	136,048
1986	137,626	2001	133,247
1987	140,466	2002	129,518
1988	139,635	2003	130,850
1989	148,164	2004	129,710
1990	153,080	2005	127,518
1991	149,478	2006	127,537
1992	143,827	2007	123,383

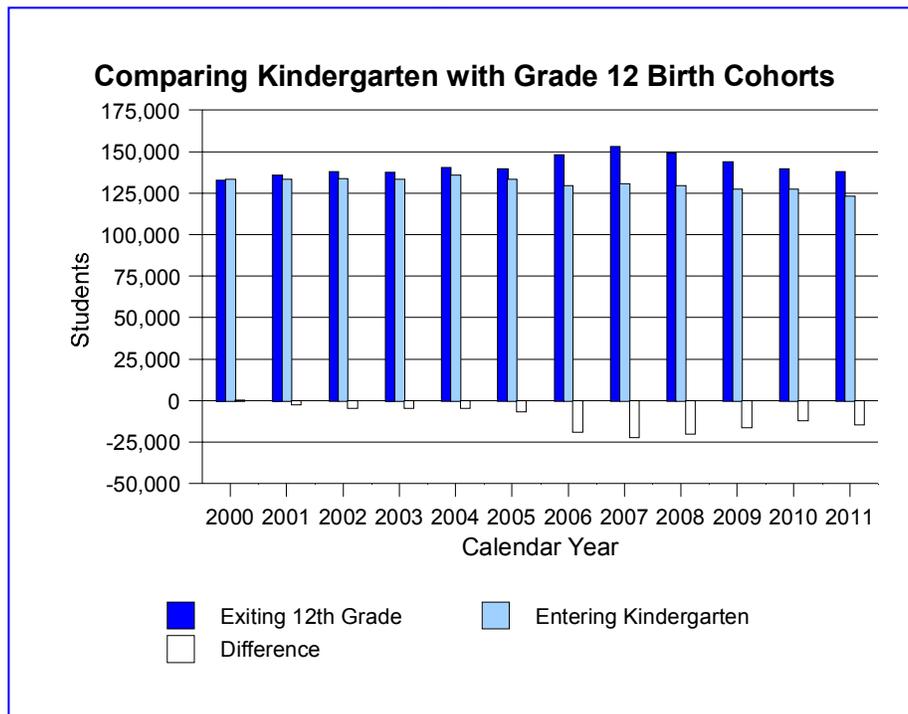
Source: Michigan Department of Community Health



Continuing into the Foreseeable Future

Merely looking at births in Michigan and assuming, simplistically, that children born in a certain calendar year will enter kindergarten five years later and graduate 13 years after that, can reveal a pattern that correlates with the actual changes in pupil memberships shown in Table 1. Further, this exercise provides a look into the future. As each large graduating class is replaced with a much smaller kindergarten class, the total statewide pupils decline. Figure 1 shows the difference, again using births alone, without regard for in- or out-migration or other factors affecting enrollment in public schools, between exiting 12th grade classes and the much smaller entering kindergarten classes. It is estimated that large statewide declines in K-12 public schools will continue into the foreseeable future, but the losses likely will decrease in size over time.

Figure 1



Source: Senate Fiscal Agency calculations

Local Impacts of Declining Enrollment

In FY 2007-08, there are 552 local school districts and 223 public school academies (or charter schools). Comparing this year's pupils to last year's, 140 local districts gained a total of 6,056 pupils and 124 charter schools gained 5,215 pupils. Therefore, about one-third of the school districts gained students. On the other hand, two-thirds of the school districts lost students. Specifically, 412 local districts lost 36,119 pupils and 98 charter schools lost 3,767 students in FY 2007-08 compared to FY 2006-07. Combined, then, from FY 2006-07 to FY 2007-08, statewide pupil memberships declined by more than 28,000.



On an individual district basis, the largest loss occurred in the Detroit Public Schools, which saw 11,116 fewer pupils from one year to the next, and the next biggest loss was Flint Schools, with 1,338 fewer students. The losses are not confined to large urban areas, however. Other districts near the top of the list in declines include Comstock, Marquette, River Rouge, and Willow Run.

The biggest "winner" in terms of gaining students was the Inkster School District, adding 425 pupils in membership. Other gainers included Chippewa Valley, Clawson, Grand Blanc, Highland Park, and Kalamazoo.

For each pupil added, a district generates a new foundation allowance, and for each student lost, the opposite occurs. Foundation allowances are minimally \$7,204 per pupil in the current year. Statewide, when there are fewer total pupils, the State saves money, and those savings generally are returned to districts in the form of increases in the per-pupil funding. However, with the stagnant status of the revenue funneling into the School Aid Fund, there actually has not been any "new" money available for schools. Rather, the savings accruing to the State from fewer pupils are, for the most part, the only dollars being re-allocated to the schools. Therefore, while the foundation allowance shows some growth over the past few years, it has been funded almost entirely by declining enrollments.

Issues Surrounding Declining Enrollment

One of the issues that districts experiencing declining enrollment are faced with is the fact that losses in pupils generally do not occur in the same class or grade, but are rather spread out throughout grades. Therefore, if a district loses 20 students (and roughly \$150,000), it is highly unlikely that a teacher could be laid off, because those 20 students would be distributed among many classes and/or grades. Declining enrollment can be addressed with restructuring, consolidation, or downsizing, but that typically takes time, while the reduced funding occurs immediately.

The School Aid Act does provide two avenues of funding to assist during the period of adjustment to shrinking school populations. Both sources essentially calculate what a district's three-year average pupil count is, and provide foundation allowance funding at that elevated level, rather than at the current year count (which would be lower if the district is experiencing declining enrollment). However, one of the programs is heavily prorated (i.e., underfunded). Approximately \$30.0 million is allocated in FY 2007-08 for these programs, though if the programs were fully funded, the budget would need an estimated additional \$220.0 million.