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# Minnesota School District Enrollment Trends

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### General Enrollment Trends

During the 30 year period beginning in 1979, enrollment in Minnesota’s public schools (using a headcount measure called average daily membership) hit its lowest point in fiscal year 1985. In 1986, student enrollment began to increase, until fiscal year 2001. Since 2001, however, enrollment has declined in the state as a whole, to the point where currently most Minnesota school districts are experiencing declining enrollment. In FY 2006, there were 225 out of 343 school districts whose enrollment had declined from the previous year. By FY 2009, there are projected to be 272 districts with fewer students than in the previous year. It should be noted, however, that on a statewide basis, enrollment has begun to stabilize, and there are slight increases in the number of pupils in grades 1 through 6, an indication that stabilized statewide enrollment should continue.

Figure 1

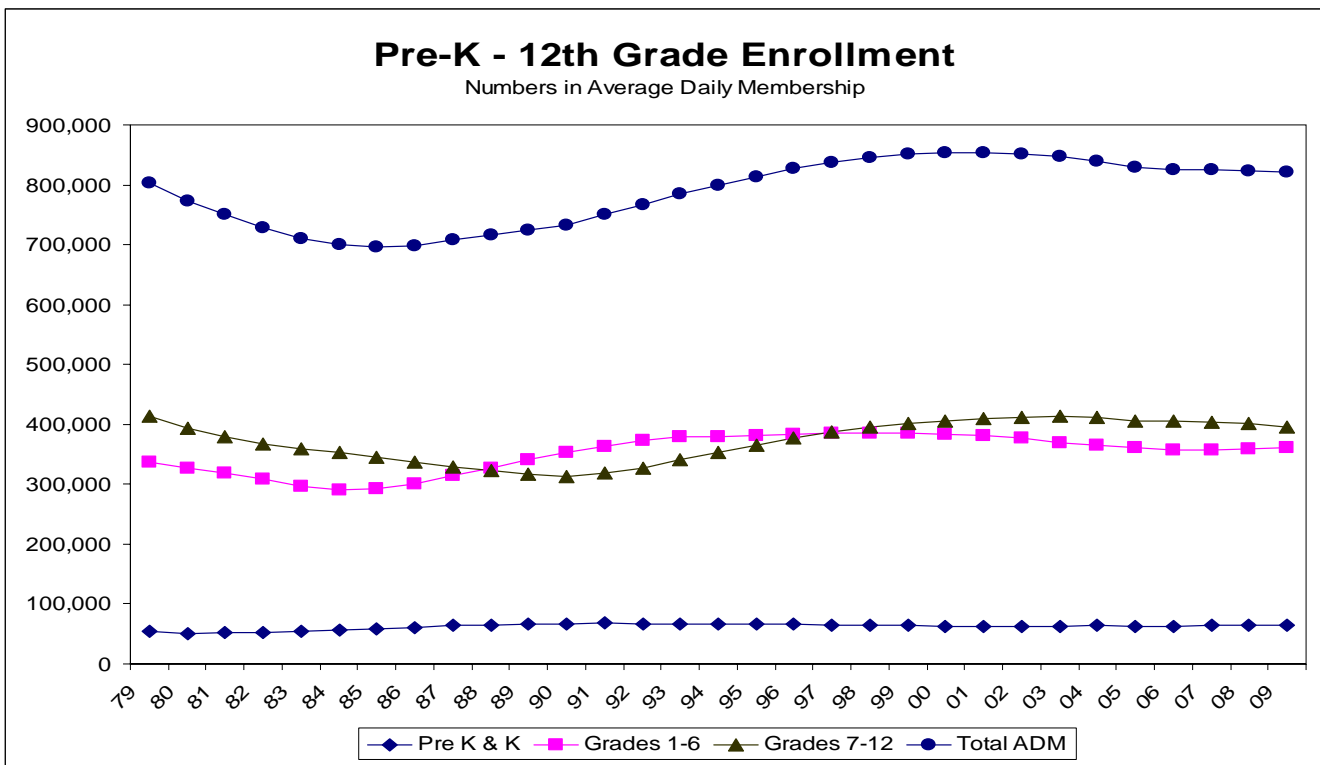


Figure 1 shows State enrollment in Average Daily Membership (ADM), which is a calculation of the headcount of student population. In other areas, we will be examining changes in enrollment using Adjusted Weighted Average Daily Membership, which takes the headcount and applies weighting based on the grade level of the student, and allocates the student count to the district in which the student is served.

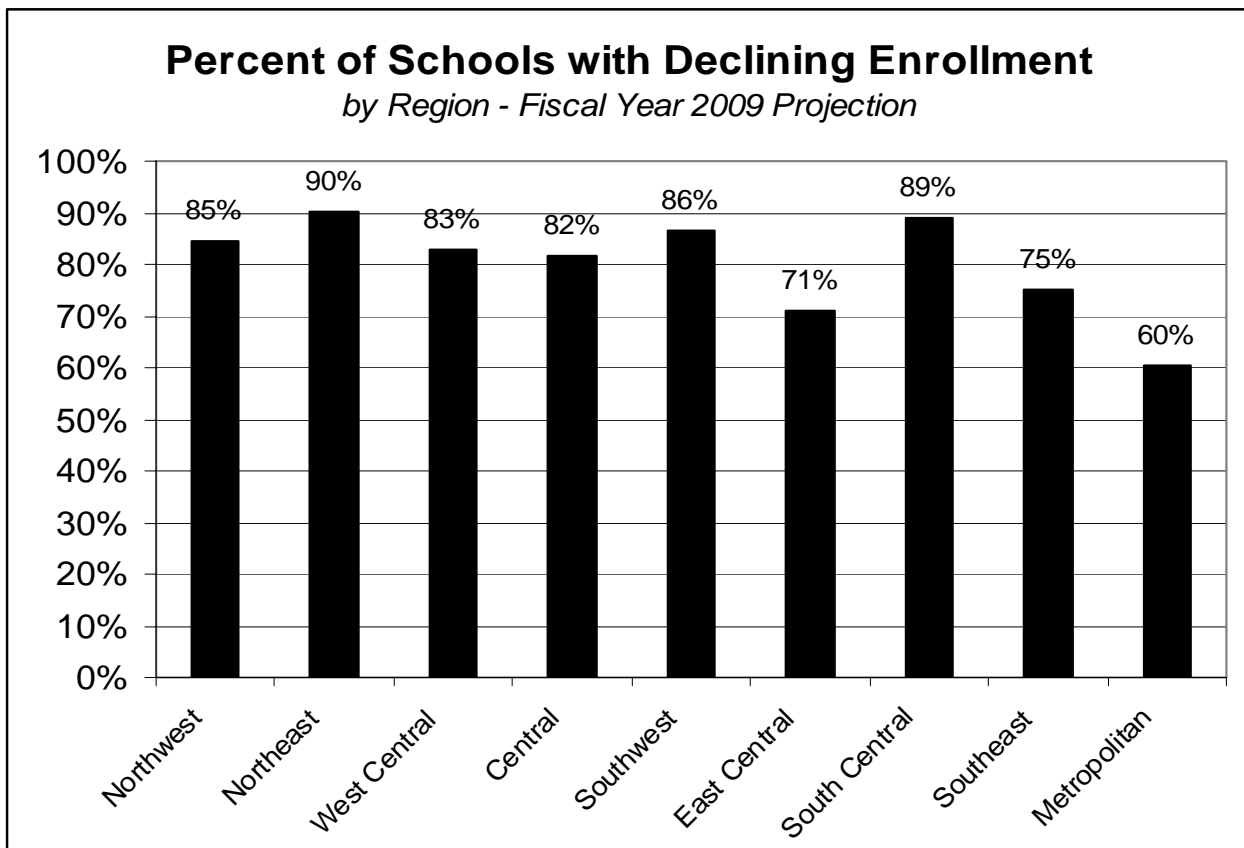
The analysis presented here includes charter school enrollment in the calculations of the statewide levels of declining enrollment. However, because of the volatility in enrollment and small numbers of enrollees at charter schools, they are not included in the analysis of individual

districts. It should be noted, however, that one of the contributing factors in declining enrollment in some districts is the presence of a large charter school, or a large number of charter schools.

### Enrollment Changes by Region

Statewide, by 2009, it is projected that 272 of 343 school districts (or 79 percent) will be experiencing declining enrollment. However, much of that decline will be occurring in the rural parts of Minnesota. As Figure 2 shows, 90 percent (28 of 31) of the districts in the Northeast region projected to be in decline, while only 60 percent (29 of 48) of school districts in the metropolitan region will be experiencing declining enrollment. Most rural regions have more than the statewide average of 79 percent of districts in the region in decline, while the metropolitan region is below this average.

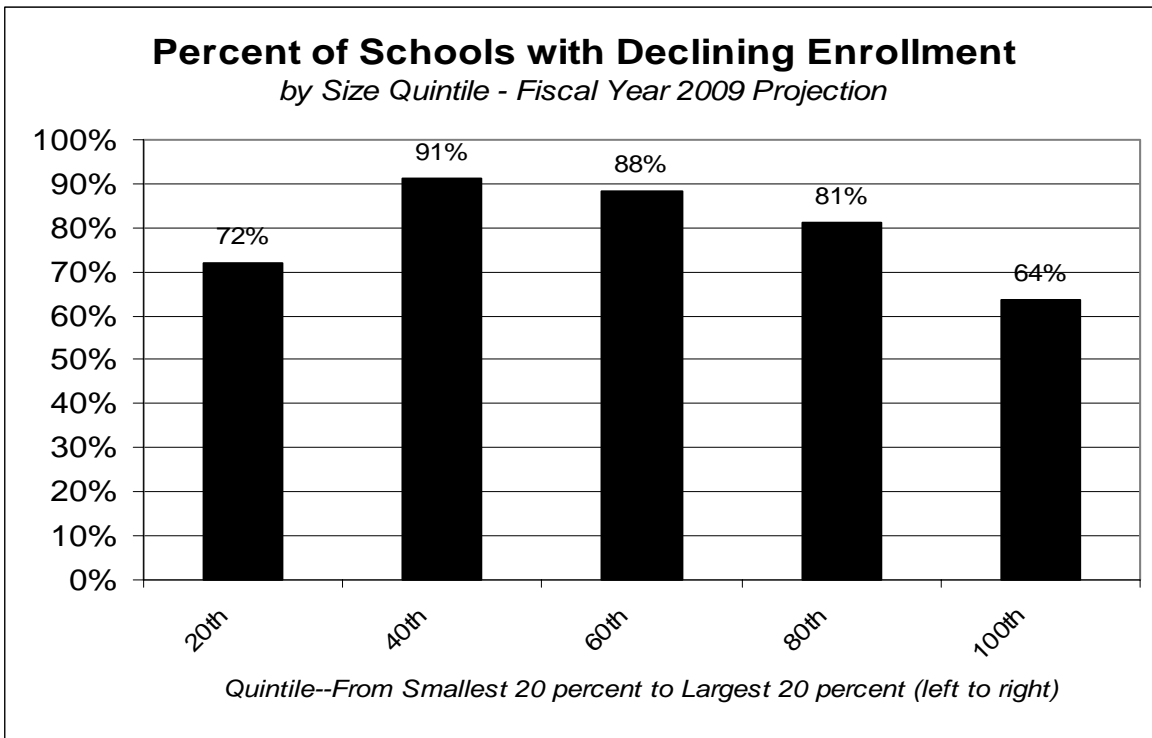
Figure 2



### Enrollment Changes by District Size

As might be expected by the analysis of declining enrollment in rural versus metropolitan Minnesota, analyzing the number of declining districts by their total enrollment shows that smaller districts, which are primarily rural districts, have larger levels of decline than larger districts, which are located primarily in the metropolitan region. Figure 3 shows the percent of school districts which are declining in each size quintile (calculated by ranking districts by size and dividing them into five sets with the same number of districts in each set). Although each size quintile represents the same number of school districts, it does not represent the same number of students. For example, in the smallest of districts, 20 percent of the State's school districts enroll only two percent of all students, while in the largest districts, 20 percent of the school districts account for the enrollment of 71 percent of all students. Interestingly, districts in the smallest 20 percent of size were nearly as stable as districts in the largest 20 percent of size.

Figure 3



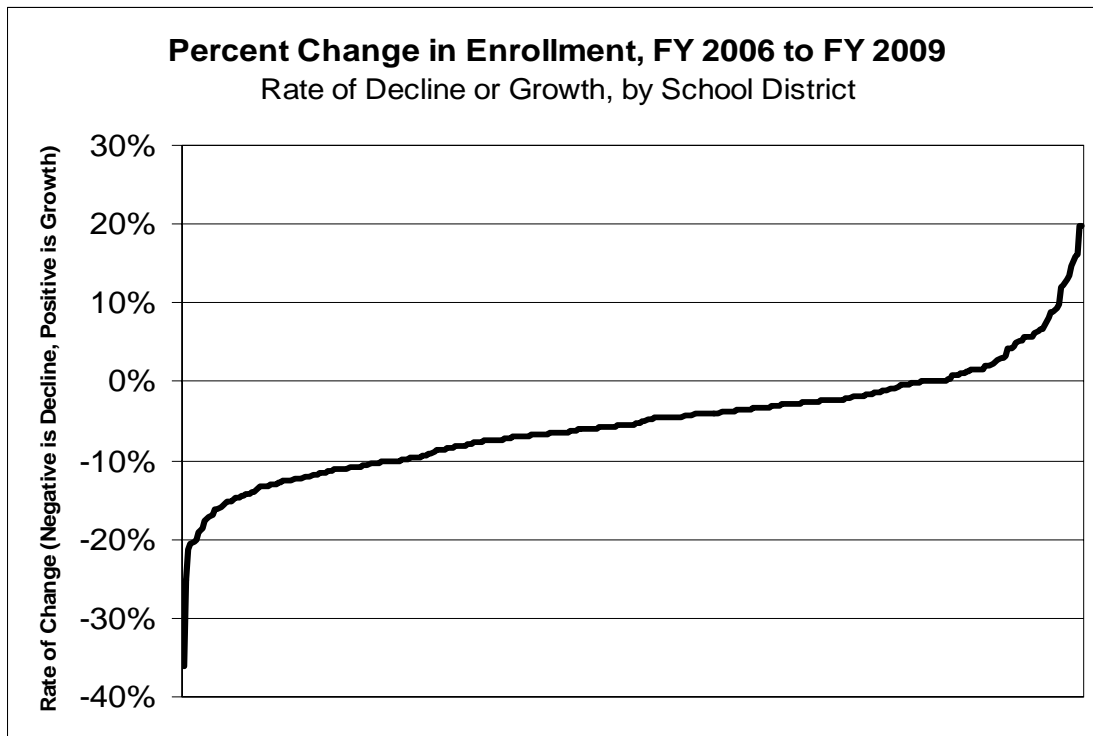
## Rate of Decline

Most districts in the State, regardless of size or geographic location, are experiencing declining enrollment. However, the rate of decline can vary greatly from district to district. In fact, in districts which are growing, the rate of growth also varies significantly. Figure 4 charts the rate of change in each school district's enrollment between fiscal year 2006 and fiscal year 2009 (the fastest growing district, a small district that added a significant on-line enrollment is excluded from the upper end in this chart). From left to right on the chart are the districts with the greatest rate of decline to districts with the greatest rate of growth in enrollment. The vast majority of districts have a rate of growth or decline between zero and 10 percent. The average rate of growth for growing districts during this period is 6.2 percent, while the average rate of decline for shrinking districts is 7.4 percent. Statewide, between 2006 and 2009, enrollment is projected to decline by 1.1 percent.

## Current Declining Enrollment Funding and Options

Declining enrollment creates challenges for school district budgets because the major K-12 funding formulas are based on the number of pupils in the district. As enrollment shrinks, districts lose revenue, but may not be able to cut expenses as quickly as revenues are falling. For example, the largest component of school district budgets is for teacher salaries. As enrollment declines, revenue is lost, but the expenditures for teacher salaries may not fall as quickly, as districts attempt to maintain class sizes, but are required by collective bargaining agreements in many cases to lay off the least experienced (and lowest paid) teachers, resulting in relatively smaller budget savings in proportion to lost revenue.

Figure 4



In recognition of the challenges created by declining enrollment, the Legislature in 1999 and 2000 created a method of pupil counting which provides declining enrollment assistance to school districts. (During the late 1970s the Legislature also provided declining enrollment revenue to school districts.) For districts with declining enrollment, the district's pupil count is calculated as 77 percent of the current year's pupil count plus 23 percent of the previous year's pupil count. In effect, districts are allowed to count 23 percent of the pupils they lost from one year to the next as pupils still enrolled in the current year for purposes of calculating revenue. In effect, for fiscal year 2006, this calculation adds just over 3,000 pupils and \$21 million of revenue (at an average of just over \$6,000 in revenue per pupil) back into the K-12 funding system.

Most of the alternatives that have been discussed for mitigating some of the effect of declining enrollment are based on this type of dampening of the loss of pupils, and add revenue (and State cost) into the funding system by adding back pupils that would be lost if there were no declining enrollment adjustment. One alternative would change the 77 / 23 percent calculation to 50 / 50 percent, allowing districts to include half of their lost pupils in their calculation of current year revenues. Another way to describe the 50 / 50 percent proposal is "two year averaging," allowing districts to take the average of their current and prior year's enrollment as their current year enrollment for funding purposes. In the past, Minnesota has used three and four year averaging programs, allowing districts to retain some of their declining enrollment revenue for an additional two or three years.

All of these ideas share the common result of adding students to the total enrollment. As such, they all add State cost (and local revenue) at a rate in fiscal year 2006 of a little less than \$7,000 per pupil. A two year average (50 / 50 percent) program would add another 4,000 pupil units and about \$25 million in total cost to the current system for fiscal year 2006, a three year average 9,000 students and \$58 million and a four year average 14,000 students and \$90 million.

One consequence of having declining enrollment revenue in place is that districts with steady rates of decline can be forced into making more difficult budget decision if their enrollment stops declining. When a district is losing pupils, declining enrollment adjustments give the district revenues for students that are not actually being served by the district any longer. There could be two districts of the same size with the exact same characteristics of enrollment, serving the same number of students, but the district that had higher enrollment the year before would have more revenue due to the declining enrollment adjustment. As a result, the district with stable enrollment actually has a lower amount of revenue per student served than the district with declining enrollment.

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