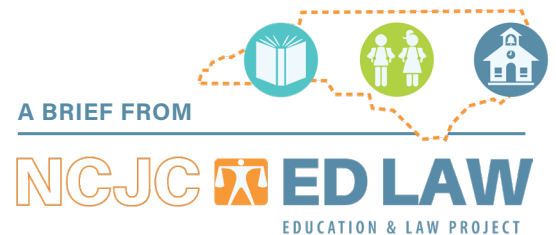


COVID-related enrollment drops will disproportionately harm school districts with higher levels of child poverty



March 2021



Analysis of the school enrollment numbers that will be used for the 2021-22 school year shows that COVID-related enrollment drops have fallen hardest on districts with greater levels of student need. As a result, it is imperative that the General Assembly continue to hold districts harmless for enrollment decreases or dramatically increase funding streams that correlate with student need.

Declining enrollment is an issue nationwide

The COVID-19 pandemic has led to declining enrollment in traditional public schools across the country. Wary of the virus, some families have withdrawn their children from traditional schools or declined to enroll, instead opting for homeschool or virtual options. Other families, frustrated with their experience in virtual learning, have withdrawn from public schools in search of in-person learning opportunities in private or charter schools. Finally, other students—likely those whose families have borne the brunt of the pandemic’s health and academic ravages—have been purged from school roles after failing to attend their online classes. Preliminary national data indicates that public school enrollment has fallen by 2 percent—a significant drop when enrollment had been trending upwards.¹



Deliberate policy choices have exacerbated enrollment pressures in North Carolina

In North Carolina, the pandemic isn't the only factor putting downward pressure on public school enrollment figures. Over the past decade, legislative leaders have perused an agenda that has starved our schools of basic resources. Recent analysis from the Education Law Center showed how North Carolina's school funding effort—school spending as a share of our economy—has plummeted since the Great Recession. Had state leaders sustained school funding effort at pre-Recession levels, our students would have benefitted from an additional \$4 billion of school investment, or approximately \$2,771 per student.²

These findings are also supported by researchers from WestEd. Their comprehensive examination of North Carolina's public school system, spurred by the long-running *Leandro* court case, found that school spending needs to be boosted by \$3.7 billion just to provide students with the bare minimum level of schooling promised under our state's constitution. Their report concluded that the past decade of legislative action has left our state "further away from meeting its constitutional obligation to provide every child with the opportunity for a sound basic education than it was when the Supreme Court of North Carolina issued the *Leandro* decision more than 20 years ago."³

Austerity budgets have been paired with an unprecedented expansion of school choice, authorized and subsidized by the NC General Assembly. Over the past decade, legislative leaders removed the 100-school cap on charter schools and loosened the charter school approval process, tripling charter enrollment. The legislature has also created three private school voucher programs to subsidize private school enrollment. These choice programs contribute to declining public school enrollment and revenue.⁴

Declining enrollment puts school budgets in jeopardy

Declining enrollment figures have massive implications for school budgets. Under North Carolina's school finance system, funding is provided to schools via several allotment formulas. Each allotment has its own formula to distribute funds across districts. In almost every case, these allotments rely on a measure of enrollment known as average daily membership (ADM).

The COVID-19 pandemic has created a situation where schools will be facing larger-than-normal enrollment—and therefore budget—reductions. Based on ADM figures recently published by the Department of





Public Instruction, 101 of 115 school districts face declining ADM for the upcoming 2021-22 school year, up from just 79 in the prior year.

These enrollment reductions can have big implications for district budgets. Charlotte-Mecklenburg schools stand to see their state funding reduced by approximately \$15.8 million as a result of this year's drop in ADM, the equivalent of 228 classroom teachers. Northampton County schools face the largest percentage decrease, with their ADM falling a whopping 8.5 percent. The resulting budget reductions will undoubtedly negatively impact students.

ADM-related budget cuts will disproportionately impact districts with highest needs

The negative impacts of COVID-related enrollment decreases will disproportionately fall on districts with the greatest student needs and historically underserved populations. That is, small rural districts, districts with high levels of child poverty, and districts with higher proportions of Black enrollment are more likely to have the largest ADM declines in the upcoming school year.

Of course, rural students, students from families with low incomes, and Black students have historically been underserved by North Carolina's public school system. These often-overlapping communities have too often been denied access to the same resources and opportunities provided to districts that are more urban, wealthier, and whiter.

FIGURE 1: Change in FY 22 ADM by District Size

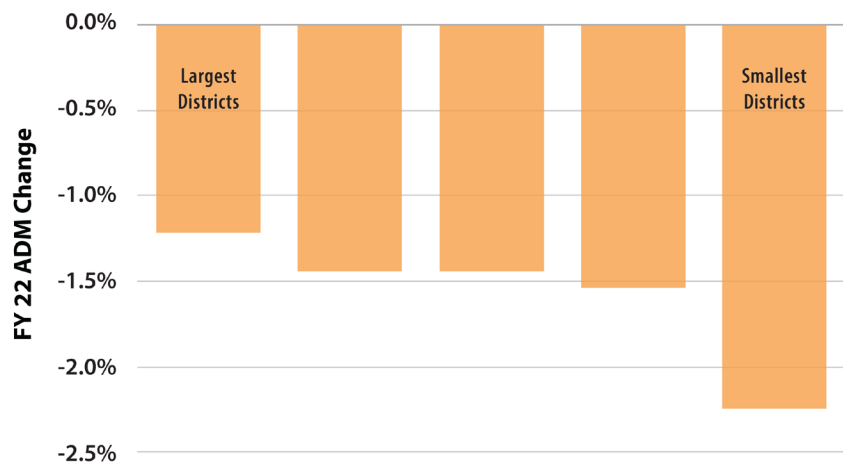
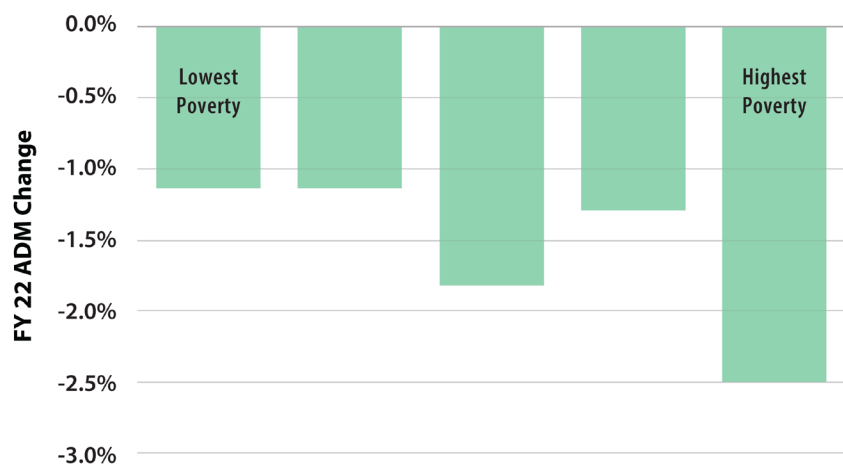


FIGURE 2: Change in FY 22 ADM by Child Poverty





Absent action from General Assembly leaders, the budget reductions stemming from COVID-related enrollment declines will exacerbate these historical inequities.

Legislative action can prevent inequitable ADM-related budget reductions

There are two ways General Assembly leaders can prevent ADM-related budget reductions from exacerbating inequalities, and these options are not mutually exclusive. Either approach, or both together, could help the students remaining in these districts.

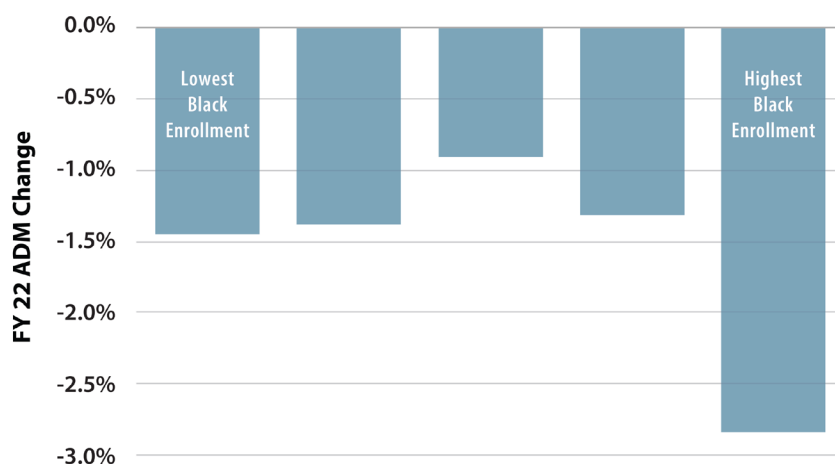
First, the General Assembly can hold districts harmless for FY 22 ADM decreases. The General Assembly enacted a similar hold harmless for this current school year, holding districts harmless from mid-year adjustments to ADM.⁵ The hold harmless proposed here would be slightly different. It would need to again protect districts from budget reductions due to discrepancies between actual and anticipated ADM but it would also require basing allotments on the allotted ADM from the 2020-21 school year.

A strong feature of this approach is that it could be passed quickly, providing district leaders with much-needed budget stability as they continue strategic and budgetary planning for the upcoming school year. The potential downside of this approach is that phasing out such a hold harmless might result in larger enrollment-based funding shocks for districts that continue to lose students in future years.

A second alternative would be to substantially increase investment in funding streams and programs that most benefit districts impacted by COVID-related enrollment decreases. State leaders could:

- Dramatically increase the funding provided via allotments such as low wealth and disadvantaged student supplemental funding that would disproportionately flow to these districts
- Create financial incentives to attract and retain great teachers and principals in high-need schools

FIGURE 3: Change in FY 22 ADM by Black Enrollment





- Support schools transitioning away from discriminatory school discipline practices and seeking new culturally-responsive curricula
- Create community schools and school-based health centers

The advantage to this approach is that it conforms to existing court-mandated plans to provide the state's students with the type of education they are owed under our state constitution and create sustainable investments supporting student achievement for years to come. As part of the long-running *Leandro* court case, Judge David Lee issued an order for spending in the 2020-21 school year to place the state on pace for having a constitutional system in place by the 2027-28 school year.⁶ Staying on pace would require boosting public school funding by approximately \$1.3 billion this year while also substantially boosting investment in pre-kindergarten programs.⁷

Endnotes

1. Kalyn Belsha, Gabrielle LaMarr LeMee, Leah Willingham, and Larry Fenn, "Across U.S., states see public school enrollment dip as virus disrupts education," *Chalkbeat*, December 22, 2020, as found at: <https://www.chalkbeat.org/2020/12/22/22193775/states-public-school-enrollment-decline-covid>
2. Danielle Farrie and David G. Sciara, "\$600 Billion Lost: State Disinvestment in Education Following the Great Recession," *Education Law Center*, January 2021, as found at: [https://edlawcenter.org/research/\\$600-billion-lost.html](https://edlawcenter.org/research/$600-billion-lost.html)
3. WestEd, Learning Policy Institute, and the William & Ida Friday Institute for Educational Innovation, "Sound Basic Education for All: An Action Plan for North Carolina," December 2019, as found at: <https://everychildnc.org/wp-content/uploads/2020/11/Sound-Basic-Education-for-All-An-Action-Plan-for-North-Carolina-1.pdf>
4. Kris Nordstrom, "Legislative changes to voucher program will likely drain \$272 million from NC over next decade," North Carolina Justice Center, December 2020, as found at: <https://www.ncjustice.org/wp-content/uploads/2020/12/BRIEF-ED-LAW-Changes-to-Opportunity-Scholarship-Vouchers-EDITS.pdf>
5. S.L. 2020-97, Section 3.1. For additional background see Kris Nordstrom, "Legislature must act to hold school budgets harmless for COVID-related enrollment decreases," *The Progressive Pulse*, July 13, 2020, as found at: <http://pulse.ncpolicywatch.org/2020/07/13/legislature-must-act-to-hold-school-budgets-harmless-for-covid-related-enrollment-decreases/>
6. Greg Childress, "Judge in Leandro court case approves \$427 million 'action plan' to improve state's schools," *NC Policy Watch*, September 2, 2020, as found at: <http://www.ncpolicywatch.com/2020/09/02/judge-in-leandro-court-case-approves-427-million-action-plan-to-improve-states-schools/>
7. WestEd, "Sound Basic Education for All: An Action Plan for North Carolina: Supplement to the Investment Overview and Sequenced Action Plan," February 2020, as found at: https://www.ednc.org/wp-content/uploads/2020/02/NC_Leandro_Finance_Supplement-1.pdf

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