

NEPC Review: The Enrollment Decline Windfall (EdChoice, February 2025)



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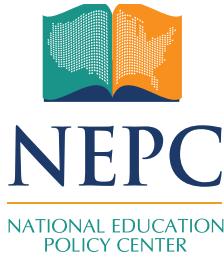
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Summary

Since most U.S. states rely heavily on per-pupil funding models, projected decreases in school-aged children through 2030 and rapidly expanding private school voucher policies have raised concerns about potentially inadequate public school funding. A recent EdChoice report suggests that such underfunding concerns are overstated. Its rationale is that districts with declining enrollment have more resources for remaining students, partly because federal, state, and local funding do not always drop proportionately as student enrollment drops. However, the report is severely limited in that it applies an unreasonably simplistic analytical approach to draw conclusions about complicated and contextually nuanced topics. In particular, the report has five main faults: (a) it oversimplifies the categorization of school district types; (b) it fails to consider structural cost differences that influence district finances; (c) it lacks an adequate approach to analyzing longitudinal data; (d) it includes faulty assumptions about how per-student expenditures benefit students; and (e) it fails to consider how more severe declines in student enrollment can trigger reduced services, school closures, and other reductions that would negatively impact students, especially those with the greatest needs. In short, the report's unsophisticated approach to a complex topic offers readers—especially policymakers and state leaders—nothing useful.



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I. Introduction

The U.S. Department of Education has projected that total public and private K-12 school enrollment will decrease between 2019 and 2030 (although some states and regions are expected to have stable or higher enrollments).¹ While anticipated declines are widespread, they are not monolithic across the nation's states and roughly 13,500 school districts. Some districts will see enrollment increases, shifting student demographics, or some years of growth and some years of decline. The impact of such enrollment shifts will differ depending on location, because public school districts are financed through local, state, and federal funding that varies across states. Most states rely heavily on per-pupil funding models while others include resource-based funding or hybrid models.² Some states prioritize additional funding for smaller rural districts (Montana and Texas, for example) or provide additional support for low-income students (as in California and New York). States may also make decisions about how to weight additional funding to serve students with disabilities and English learner students.³

In addition, some states (like Florida and Maryland) have fewer county-based districts with large enrollments while others (like Illinois and New Jersey) have hundreds of small districts with fewer than 1,500 students. Districts also receive different amounts of federal and state funding based on their population of some students (students with disabilities and/or students eligible for free or reduced-price lunch, for example). Given the number of diverse variables affecting funding of specific schools in specific contexts, researchers attempting to evaluate the impact of student enrollment declines on school district resources need to apply highly sensitive and thoughtful approaches to their work.⁴

The Enrollment Decline Windfall, written by Ben Scafidi and published by EdChoice,⁵ explores the possible implications of projected enrollment declines. The report examines

trends in school district expenditures and staffing across multiple time periods and concludes that enrollment declines “leave more resources” for students in public schools.

II. Findings and Conclusions of the Report

The report focuses on most U.S. public districts experiencing enrollment increases and decreases over three time periods: 2018 to 2019, 2015 to 2019, and 1998 to 2019. It also provides separate analyses of rural districts, focusing on their enrollment variances between 2015 and 2019 and on staffing changes they experienced during the COVID era (2020-2023). The major conclusion of the report is that districts with declining enrollment have more resources for students remaining in the district partly because federal, state, and local funding are not always proportionally reduced when student enrollment drops. The report states that “districts can retain funds for students they no longer serve, giving them more resources, on a per-person basis, for students who remain.”⁶

The report finds that the “average district” with declining student enrollment “spent more per student and saw a larger increase in total expenditures per student as compared to the average district gaining enrollment.”⁷ Between 2018 and 2019, average districts losing enrollment had a 7.1% increase in total expenditures per student between 2018 and 2019, while those gaining enrollment had a 3.7% increase. Moreover, average districts with declining enrollment had larger increases in salary and benefits for school personnel than the average district with rising enrollment.

III. The Report’s Rationale for Its Findings and Conclusions

The report argues that declining student enrollment results in more resources per student because school funding does not always decrease in direct proportion to enrollment losses. It suggests that while overall district budgets may shrink when student numbers decline, the per-student funding increases because certain funding sources—such as local property taxes and state-level hold-harmless provisions—remain stable or decline at a slower rate.

The report presents three key arguments to support this rationale:

1. Many school funding mechanisms do not immediately reduce financial allocations when student enrollment declines, allowing districts to retain resources.
2. Districts experiencing declining enrollment have, on average, seen greater increases in per-student expenditures, including staff salaries and benefits, compared to those with increasing enrollment.
3. Over multiple time periods (2018-2019, 2015-2019, and 1998-2019), districts with declining enrollment consistently demonstrated higher per-student expenditures.

By presenting these points, the report concludes that declining enrollment should not be a major financial concern for policymakers and may even provide financial advantages to remaining students.

IV. The Report’s Use of Research Literature

The report primarily relies on publicly available financial data from sources such as the National Center for Education Statistics (NCES) to analyze trends in school expenditures. It engages minimally with prior peer-reviewed literature on school finance or enrollment changes, overlooking studies that could contextualize its findings. For example, researchers have found that only targeted spending improves educational outcomes,⁸ a critical link absent from the report’s claim that per-pupil increases benefit students.⁹ Similarly, studies indicate that school closures from enrollment declines harm student achievement,¹⁰ while research within Michigan reveals how choice-driven declines threaten long-term financial sustainability¹¹—effects the report ignores. Instead, the report constructs its argument using descriptive financial statistics without incorporating research that explores these broader impacts on educational quality, school operations, or district stability.

V. Review of the Report’s Methods

The methodology used in the report contains several notable weaknesses that limit the validity of its conclusions.

First, the report oversimplifies the categorization of school districts by dividing them into just two groups—those with increasing enrollment and those with declining enrollment—without accounting for regional differences in school finance policies. Public school enrollment in the U.S. increased steadily through Fall 2019 to 50.8 million students,¹² yet this national trend obscures significant state-level variation, with some states experiencing declines while others grew.¹³ However, school funding policies vary significantly across states; some states gradually phase in budget reductions in response to declining enrollment, while others impose immediate funding cuts.¹⁴ Additionally, some states increased education spending during the study period despite enrollment declines, further complicating the interpretation of per-student spending trends.¹⁵ By failing to compare similar districts under similar policy conditions, the report risks misinterpreting the relationship between enrollment decline and per-student spending.

Second, the report fails to consider structural cost differences that influence school district finances. It assumes that an increase in per-student expenditures translates directly into greater resources for students, yet it does not account for fixed costs such as facility maintenance and operations, which remain constant regardless of enrollment changes. Pension obligations may also lock in costs, explaining rising expenditures without necessarily leading to tangible improvements in student resources.¹⁶ Without distinguishing between spending

that directly benefits students and spending required to maintain school operations, the report's conclusions about the financial benefits of enrollment decline become questionable.

Third, the report lacks a proper longitudinal analysis, despite claiming to assess the short-term (one-year), medium-term (four-year), and long-term (21-year) effects of enrollment decline. The issue is that those main analyses end in 2019, which raises concerns about whether the reported financial trends truly capture long-term patterns. For instance, if enrollment declines were concentrated toward the later years of each study period, then even the four-year and 21-year analyses may not reflect genuine long-term effects. Other researchers have shown funding effects unfold over time, requiring a year-by-year analysis or restricting the sample to districts where enrollment decline trends persisted over time—unlike the report's static comparisons.¹⁷ Snapshots miss sustained trends, weakening claims about medium- and long-term impacts.¹⁸ Without these adjustments, the report's conclusions about medium- and long-term financial impacts remain incomplete.

VI. Review of the Validity of the Findings and Conclusions

While the report presents data showing that per-student expenditure increased in districts with declining enrollment, it does not sufficiently demonstrate that this trend translates into positive educational outcomes or financial sustainability. The findings and conclusions are built upon failed assumptions.

First, the assumption that increased per-student expenditures directly benefit students is unverified. Researchers have demonstrated that only targeted spending improves outcomes, yet the report offers no evidence linking its expenditure increases to educational quality.¹⁹ Additional spending may reflect rising operational costs (such as building maintenance and pension liabilities)²⁰ rather than direct improvements in instruction or student services.

Second, the report does not address threshold effects. A moderate enrollment decline might not disrupt school operations, but larger declines can force districts to reduce services, close schools, or consolidate programs. In fact, researchers have found that closures from spending cuts harm vulnerable students.²¹ When schools close, student achievement drops post-closure.²² However, the report overlooks such significant impacts.

Third, the report's use of historical data as a predictor of future trends is problematic.

- COVID-era funding influxes (including the Coronavirus Aid, Relief, and Economic Security Act, Coronavirus Response and Relief Supplemental Appropriations and American Rescue Plan Act) temporarily altered school finance patterns, making it inappropriate to generalize trends from this period.
- The report fails to analyze how districts handled enrollment declines over time—if financial pressures gradually accumulated, a single-year snapshot may be misleading.

Finally, the report claims that school choice policies, such as vouchers, had minimal impact on enrollment declines and should not be a major concern for policymakers. However, as

school choice initiatives expand in certain regions or more broadly across the U.S., their impact on public school enrollment and funding will likely grow, making the report’s assumptions even less grounded. For example, choice-driven declines in Michigan strained school district budgets.²³ Researchers have also found that expanded choice can deepen other educational inequities—effects likely to grow as initiatives expand, contrary to the report’s optimism.²⁴ Regions that see decreasing public school enrollment coupled with school privatization and voucher expansion may experience significant fiscal harm, another effect ignored in the report.²⁵

VII. Usefulness of the Report for Guidance of Policy and Practice

Rather than a thoughtful and contextually nuanced analysis useful to policymakers as they wrestle with public school enrollment and funding changes, the report offers an oversimplified and misleading positive assessment of enrollment decline impact—one that completely ignores that different states and regions will be affected differently. It also ignores that school choice policies can exacerbate fiscal distress and disadvantage students, undercutting the report’s policy advice. Policymakers should ignore this report and seek information and insights elsewhere.

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