WestEd Perspectives

Shifting Sands

Declining Enrollment in California and How Leaders Can Respond

Jason Willis // 2025

This brief presents a new analysis about underlying factors and aims to contribute to the body of evidence and practices that practitioners can use to navigate these challenges. Understanding the factors underlying schools' fiscal challenges is critical for leaders to ensure that available revenues are aligned with planned expenditures.

For the first time in modern history, California public schools are facing the prospect of steady declines in student enrollment over the next decade (Lafortune & Prunty, 2023; State of California, Department of Finance, 2024). Up until the pandemic that started in 2020, previous such trends were typically isolated to larger, urban school systems. The current student demographic shifts present new challenges for the majority of local school leaders and communities. Specifically, there are two unique challenges.

The first challenge is related to the fact that state funding for California public schools, which makes up the majority of annual school operating revenue, is tied directly to students' enrollment and attendance. As a result, many systems are facing funding losses that will differ from past revenue contractions. The previous four sustained revenue losses in funding to California public schools were the result of economic recessions.[i] In all of those circumstances, revenue returned to prerecession levels when tax revenue collections increased again in the following years.[ii] Revenue losses stemming from reduced student enrollment will not recover in the same way.

The second challenge is that public schools in California and across the nation now face a level of federal budget austerity that is highly likely to impact public education and other child and youth services, such as health and other programs. Congress recently adopted bills that outline a series of cuts to domestic policy programs that are among the largest proposed reductions since the 1980s (Willis, 2025). In addition, the decrease in available revenues for many public school systems in the state is accelerating due to the loss of one-time federal funds for schools in response to the pandemic and due to historically high chronic absenteeism rates.

In fact, one of the nation's largest credit rating agencies downgraded the nation's public schools to a negative rating, citing the uncertainty at the federal level combined with challenges already facing public education. Even for states that are fiscally healthy, the credit rating agency notes, "It is increasingly unlikely that states would be in the position to backfill any loss of funding from other sources" (Modan, 2025, para. 12). This combination of factors threatens not only services in public education but also other critical services for children and youth, which may have secondary implications for school resources.

These two unique challenges require California school district leaders, including superintendents, chief business officials, chief academic officers, and boards of education, to think differently about resource choices. This brief presents a new analysis of underlying factors and aims to contribute to the body of evidence and practices that practitioners can use to navigate these challenges. Understanding the factors underlying schools' fiscal challenges is critical for leaders to ensure that available revenues are aligned with planned expenditures. Understanding and being better prepared to address the factors underlying fiscal challenges includes the following:

1. Understanding the impact of previous choices to reduce public education spending
2. Accounting for the changing demographic makeup of the students being served
3. Acknowledging the importance of sustained trust between community and schools

Based on these three considerations, this brief then presents practical recommendations for school district leaders to incorporate into their decision-making with other school district staff, school board members, and the wider community.

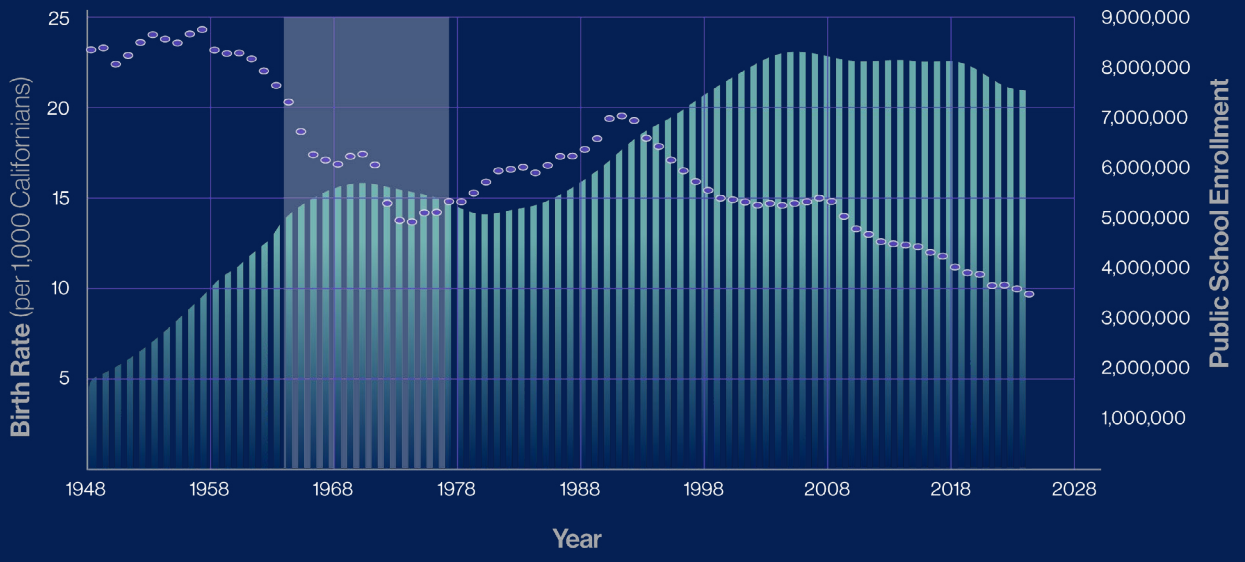
Birth rates in California continue to trend downward and are at their lowest rates in the last 75 years. As a result of the lower enrollment, public schools during this period saw substantially reduced overall revenue.

Factor 1. Understanding the Impact of Previous Choices to Reduce Public Education Spending

The challenge of effectively responding to declining enrollment in school systems is real. It is an issue that education leaders and local community leaders alike should be addressing now. In this case, history is an effective teacher. Public school enrollment has declined significantly twice since California began tracking enrollment in the late 1800s. The most recent instance—the period most relevant to current circumstances—is the enrollment decline of the 1970s to early 1980s in which public schools lost nearly 500,000 students, sinking to 4.8 million. The enrollment decline during this period was largely attributable to falling fertility and birth rates. In the shadow of the baby boom from 1946 to 1965, many families were not having as many children. The average number of births per 1,000 Californians was 23.3 during this 20-year span. By comparison, the average was 16.4 from 1966 to 1975, or a 30 percent reduction in births in comparison with the baby boom period.

Some foresaw the impact on public education even back then. In 1980, Kirst and Garms wrote, "Financing of public schools is embedded in a societal matrix. It is not possible to consider the future of school finances without examining the size and distribution of future populations, the future of the economy and its effect on money for schools, and the political context within which decisions will be made" (Kirst & Garms, 1980, p. 212). Figure 1 shows a time series of public school enrollment and birth rates in California from 1948 to 2024.

Figure 1. Timeline of Major Historical, Economic, and Social Events and Enrollment Declines, 1948 to 2024



Note. Sources for this include the following: for 1946–2021 birth rates: Johnson, 2023a; for the 2022 birth rate: Murphy, 2023; for the 2023 birth rate: Taylor, 2024; for the 2024 birth rate: Knoema, n.d.; for 1948–80 enrollment: California Department of Education, n.d.-a; for 1982–93 enrollment: California Department of Education, n.d.-b; for 1992–93 to 2023-24 data: Data Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data, n.d.

The mid-1960s through the mid-1970s (indicated by the gray bar in Figure 1) marks the period of decline in public school enrollment that was preceded by large decreases in birth rates in California. Notably, the relationship between birth rates and public school enrollment is high in the period of 1948 to 1978 (*r*-squared = 0.7245, 0.05 significance). For the next two periods, 1978 to 2008 and 2008 to 2024, this correlation drops dramatically (*r*-squared = 0.267, 0.05 significance). This may imply that while there is still a relationship between birth rates and public school enrollment, there are other, intervening factors, such as family migration and the introduction of other school options, that weaken the relationship.

Even still, birth rates in California continue to trend downward and are at their lowest rates in the last 75 years. As a result of the lower enrollment, public schools during this period saw substantially reduced overall revenue. This was compounded by other challenges during this period that impacted schools, mainly high inflation that diminished the volume of goods—labor and otherwise—that could be procured (Goettel & Firestine, 1975). These trends are eerily similar to many of the recent reports and commentary about why school districts face fiscal challenges currently—declining enrollment and rising costs for providing services (Fensterwald, 2021, 2025a; Hahnel, 2020).

In response to precipitously falling revenues for schools during the earlier period, leaders turned to budget solutions that represented largely across-the-board cuts, such as increasing class sizes across most grade levels and reducing staffing in noncore positions such as counselors, instructional coaches, and front office support staff, among others. The cuts were so voluminous and widespread that in 1976 California passed laws to establish a standard procedure for layoffs of school personnel (Legislative Analyst's Office, 2012). By the start of the 1980s, California was reeling from the reductions (Neill, 1982). The prior decade's cuts seemed more like a frenzied panic year by year than a process that followed any logic for managing available resources to maximize support for student achievement.

Several lessons can be taken from this period and adapted to the current environment. First, investing more time early and often to strategize changes in resource investments for students that will be served multiple years into the future, not just the next year, can be productive. The condition of declining enrollment is a great example of the domino theory. That is, its impact in turn has numerous direct and indirect impacts, warranting spending time and dedicated analysis on considering implications for the system. In fact, there was recognition of this potentially useful approach during the earlier period (Zusman, 1978). Second, seeing the need to make planful decisions as opportune, not simply harmful, is a worthwhile mindset. Decision-makers in the earlier period of declining enrollment recognized that some of public schools' resources could be repurposed for other uses that directly benefit the community. Pack and Weiss noted in 1975 that "[schools] also offer several non-educational but community-based alternatives such as offering the space to the local library ... or rehabilitation center" (Pack & Weiss, 1975, p. 44).

Growing Number of School Options for Students

While learning from these past experiences, leaders must also adapt to current circumstances. One of the main factors complicating the modern landscape is the growing number, availability, and popularity of differing school options for students. These options effectively mean public school for school-aged children is no longer compulsory. With a variety of options available to parents, public school leaders need to consider that they are now competing for students to attend their schools. While the alternative options may be more or less competitive in different settings, the long-term trend is clear. While a large majority of students still attend public schools, the proportion attending other types of schools—home schools, parochial schools, private schools—is growing, and the rate of that change is increasing. Since 1990 the percentage of school-aged children attending public schools has dropped from 98 percent to 93 percent. In other words, there has been a 79 percent increase in total enrollment in nonpublic schools, including private, parochial, home, and charter schools (Murnane & Reardon, 2018; Reber & Kalogrides, 2018). The pandemic has continued to fuel this growth.

Since the pandemic has subsided, public schools have regained some of the enrollment loss, but it is much less than many forecasters expected (Lafortune & Prunty, 2023). As public schools reopened, the demographics of who returned are notable. For example, in some communities, non–low-income, White families chose nonpublic options, and in many communities, the students who reenrolled in public schools came back with more challenges that then translated to higher service demands on the public schools (National Center for Education Statistics, 2022; Smith & Watson, 2024).

Factor 2. Accounting for the Changing Demographic Makeup of the Students Being Served

Analyses of enrollment trends have tended to focus on overall student count, with the assumption that generally having fewer students in public schools means the schools get less funding. Focusing on enrollment makes sense because California uses some variation of a student count to distribute basic, foundational aid and supplemental aid to school systems (Syverson & Duncombe, 2022). However, some emergent trends beyond just total enrollment are deserving of a closer look. Specifically, the *types* of students who are leaving or staying affect how much funding the schools receive. California's school funding formula provides resources to meet various needs of the school system.

In particular, the state's funding formula accounts for the majority of students through the Local Control Funding Formula (LCFF), which distributes funds for serving all students through base aid and then provides supplemental and concentration funding for serving students who are considered to have higher needs. In California these are students from households with low income, students who are classified as English Learners, and students in the foster care system. The research supports this general direction, indicating that providing larger amounts per

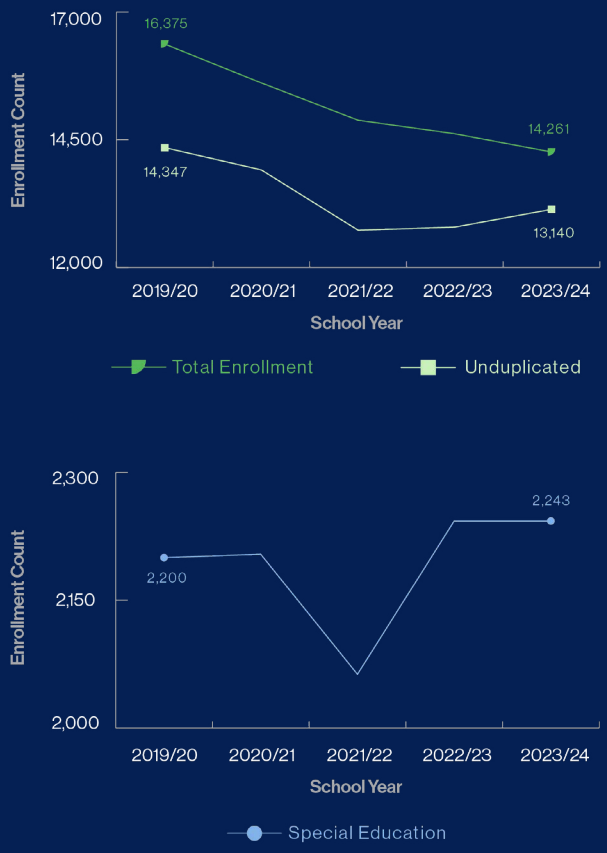
student for students with high needs can drive improvements in educational outcomes (Johnson, 2023b).

With declining enrollment, if students with higher needs make up increasingly more of the total enrollment, a larger proportion of the schools' budgets will go to supplemental support services. Gone unchecked, the school systems' additional resource needs may erode the base funding they need to support all students. Since enrollment declines are often gradual, school system leaders may be lulled into thinking their program and support offerings for students do not need substantive change until suddenly they can no longer afford those offerings.

School systems are also having to maintain budget stability under increasing fiscal constraint. This raises the prospect that each resource decision made by a school system will box that system into a reduced set of choices. Important discussions about innovating and reimagining how to use resources can be lost when leaders are overly focused on managing budget reductions.

These dynamics can be illustrated in a sample school system located in southern California. The district represents the average demographics and spending per student for the state. Figure 2 shows changes in enrollment in the school system, which serves approximately 17,000 students. Over a 5-year period, there was a total enrollment decline of 13 percent, resulting in a decrease in total unrestricted general fund spending to $14,261 from $16,374 per student. The number of unduplicated count students (students from households with low income, students designated as English Learners, and/or students in the foster care system) also declined to 13,140 from 14,347, or by 8 percent. Because this loss of unduplicated count students was not as substantial as the decrease in the total number of students, the proportion of unduplicated count students to total students increased to 92 percent from 88 percent. Notably, the proportion of students in special education over the 5-year period increased to 2,243 from 2,200, a 2 percent increase.

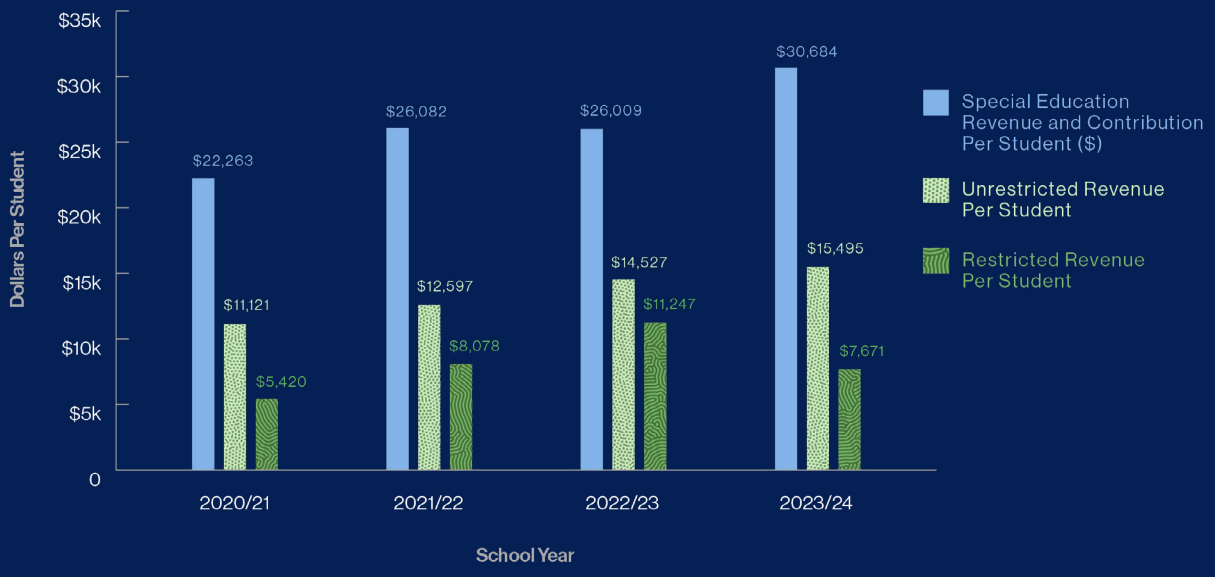
Figure 2. Enrollment Trends by Student Type for Sample School District, 2019/20 to 2023/24



Note. Author's calculations using publicly available data from the following sources: (a) Ed-Data.org for 2019/20 to 2023/24 fiscal years; (b) school district unaudited actuals reports for the 2020/21, 2021/22, 2022/23, and 2023/24 fiscal years; (c) School Services of California Dartboard for FY2021, FY2022, FY2023, FY2024, and FY2025; (d) the FCMAT LCFF calculator, and (e) the California Department of Education's DataQuest.

These shifting demographics have also had an impact on revenues provided by the federal and state governments. Figure 3 shows the change in spending per student among unrestricted, restricted, and special education revenue over a 4-year period. Unrestricted revenue per student increased 39 percent, to $15,495 from $11,121. Spending per special education student increased at a similar rate to $30,684 from $22,263, or 38 percent. Revenue and contributions from the unrestricted general fund per student for special education consumed a larger proportion of the budget in 2023/24 (20.9%) than in 2020/21 (19.2%). Over this same period, many school districts were working to recover from the pandemic and invest federal and state restricted funds to support students because there was a dramatic rise in restricted revenue per student—from $5,420 to $11,247 during the pandemic—that then substantially dropped in 2023/24 to $7,671 after the federal pandemic relief funds expired.

Figure 3. Restricted and Special Education Spending for Sample School District, 2020/21 to 2023/24



Note. Author's calculations using publicly available data from the following sources: (a) Ed-Data.org for 2019/20 to 2023/24 fiscal year; (b) school district unaudited actuals reports for the 2020/21, 2021/22, 2022/23, and 2023/24 fiscal years; (c) School Services of California Dartboard for FY2021, FY2022, FY2023, FY2024, and FY2025; (d) the FCMAT LCFF calculator; and (e) the California Department of Education's DataQuest.

Changes in the demographic makeup of classrooms and schools can have a profound impact on the resources necessary to provide high-quality instruction and other support services.

It is notable that various factors are likely interacting to cause the change in unrestricted revenue per student, including enrollment change and chronic absenteeism, a potentially sizeable influence on average daily attendance for school districts. However, these two factors—enrollment and attendance—are not necessarily positively correlated. That is, as enrollment declines, attendance does not necessarily decline in most instances. In fact, analysis reveals there is little relationship in California public schools between the change in enrollment and the change in attendance that occurred between 2018/19 and 2022/23.[iii] The implication for school system leaders is that pulling apart the multiple, contributing factors to changes in revenue levels is important for truly understanding how to respond. To that end, common cost accounting methods such as variance analysis, cost-volume analysis, and mixed-cost analysis become invaluable tools in understanding the drivers of cost. These tools allow decision-makers to understand which variables—including enrollment changes and attendance rates—are driving changes in revenue for a school system.

This analysis also reveals the important nuance that school district leaders need to account for in determining future resource allocations. Changes in the demographic makeup of classrooms and schools can have a profound impact on the resources necessary to provide high-quality instruction and other support services. For classrooms that have a substantially higher proportion of unduplicated count students, there are implications for staffing those classrooms and providing supports, including ensuring that the teacher has the experience and ability to instruct those students. If a school now has a substantially higher proportion of students eligible for special education, there are likely positions that need to be either reassigned or added to the school from elsewhere to account for that change.

Factor 3. Acknowledging the Importance of Sustained Trust Between Community and Schools

As trust in government falls, the likelihood that a community is willing to invest through additional taxes in public institutions is also more likely to decline and vice versa. The public's trust in government institutions has waxed and waned for some time. However, the most recent polling shows that many Americans have some of the lowest opinions of public institutions since measurement began (Pew Research Center, 2024). While some portion of these findings is attributable to issues at the federal level, the low opinions are also tied to California and its local communities. Research shows that confidence in subnational governments (including states) reflects national trends such as economic tides and public preferences for more or less government, but it also exhibits unique dynamics explained by factors specific to subnational politics (Wolak & Palus, 2010).

Complicating discussions about revenue for schools is that potential tax increases are generally unpopular among voters (PDK Poll, 2019). This situation is particularly difficult for the state's chief executive, the governor. Research on taxes and voting behavior shows that "while voters may punish taxing governors, there appears to be no complementary reward for governors who decrease taxes" (Kone & Winters, 1993, p. 22). This appears to be a lose–lose situation. What is striking in this same study is that interests that oppose government investment, rather than opposing particular policy positions, are found to be main drivers of voting behavior in most contexts (Kone & Winters, 1993). In California's context, this tendency means that individuals going

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to the polls will generally look at a potential rise in taxes unfavorably.

To avoid opposition to taxation, one possible route to increasing funding for public schools is through a net-zero approach. That is, if the government is able to divest funds from one area and reinvest those funds in schools, this approach tends to play more favorably than raising taxes. A recent poll showed that supporting higher funding for schools does not necessarily mean supporting higher taxes. Given a choice, more than 7 in 10 adults said they would rather see cuts in other government-funded programs than a rise in taxes to provide more school funding. Sixty-one percent of teachers agreed (PDK Poll, 2019).

Another approach is to substantively strengthen the link between the service being provided and the taxpayer. The correlation is often not a direct one because many taxpayers do not have students enrolled in public schools. However, taxpayer dollars that go to providing high-quality services for public schools can have both direct and indirect impacts. For example, a direct impact is that future generations are more educated, implying greater opportunities for economic and social prosperity in that community. An example of an indirect impact is that the community becomes more appealing to prospective residents and businesses, raising the value of homes and the level of economic and civic activity. No longer can school district leaders brush aside the notion that marketing and promoting the impact and outcomes of the school system are fringe strategies.

Recommendations for State and Local Leaders

The following recommendations are for local education leaders to consider in mitigating the challenges facing school systems with declining enrollment. While there are other resources that systems may use to mitigate this environment (Dickason et al., 2025; School Services of California, 2025), these recommendations reach beyond the typical approaches and invite leaders to engage differently and more productively when confronting these challenges.

Invest in Better, More Accurate Forecast and Revenue Analysis Tools

Today, public school enrollment and financial forecasting involves demographers, financial modeling tools, and some aggregate trend analyses. Common approaches include using the cohort survival method to predict future student populations, tracking birth rates by zip code to forecast when children will enter kindergarten, tracking the growth of charter schools to predict changes in enrollment at other public schools, and looking at changes in anticipated revenue from changes in those enrollment and attendance forecasts. However, as suggested by the complexity of shifting demographics described above, these common approaches may be insufficient in capturing the full extent of the transitions that families and students are making across educational settings. Accordingly, local leaders should consider the following:

- **Collect data that account for various schooling options:** Rather than relying solely on history when trying to predict future enrollments, incorporate other kinds of information, including data about the community's student and family patterns. Pay attention to the nuances in the data and consider other supplemental data collection, including information on local private and parochial schools and homeschooling. This information may be obtained directly from those other schooling options. Alternatively, engage staff, nonprofit organizations, and community partners to get on-the-ground information from families and trusted community partners. Such information can then be converted to understand and build more accurate revenue modeling that includes eligibility not only for LCFF funds but also for other state and federal grants.
- **Build a coalition of governmental and nongovernmental partners to understand changes in the city, community, or region:** Public education is but one piece of the puzzle that can show the broader demographic, social, and civic trends in a community. By partnering with other local governmental and nongovernmental agencies, the sum of this information can reveal trends otherwise unseen by any single partner. For example, regional workforce boards can

supply employment trends and forecasts that may influence anticipated new families moving into areas. Housing commissions can supply critical information about future, planned developments and current housing stock and how many anticipated families may fill those homes.

Be Judicious in Adjusting Spending: Use Scenario Planning and Cost Analysis

School systems, and governments generally, are not very good at planning for the future. More and more, leaders seem to be inundated with everyday alarms. Consequently, many have lost sight of the art of valuable tools such as scenario planning and cost analysis. Today, many school systems use general straight-line projections for budgeting and reporting that are based on predictable assumptions such as the multiyear projections that are mandatory in financial reporting to the state. System leaders know the typical reductions to make, such as staffing reductions, contract pullbacks, and so on. However, in a dynamic and new environment of declining enrollment, increasing school options, and uncertainty at the federal level, other tools become more important than ever. Local leaders should consider the following:

- **Engage in Scenario Planning:** School leaders should develop analyses that demonstrate how the system may adjust under multiple situations. Far too often leaders are caught on their heels and are rushed into decision-making. Investing time in a team to build analyses can be vitally important. For example, if a school district is anticipating a level of enrollment decline, consider how spending might be adjusted on the basis of meeting or underprojecting that decline. In particular, focus on making program adjustments across silos. This includes looking at the structure of general education, education for English Learners, special education, and other support needs. Considering these different areas in combination with one another on school campuses can generate insights and shift thinking about resource investments.
- **Use Cost Analysis:** Public education is perhaps one of the most dynamic local government systems. Bringing common but powerful cost analysis methods to bear on decision-making can be meaningful and productive and can be applied to both operating and capital spending.

Focus on the Public Narrative and Trust Management

One reason that some businesses are incredibly effective at connecting with their paying customers is that they spend time and money on understanding how to message their clients. By contrast, schools tend not to lean into communication. Generally, communication efforts are a smaller proportion of overall investment and not perceived by the public as a wise investment. In California, one way in which school systems are encouraged to focus on communication is through planning documents such as the Local Control and Accountability Plan (LCAP), an important component of the LCFF. However, the LCAP tends to be lumped in with other compliance and regulatory minutiae that do not interest the general public. This type of tool, along with schools' other common messaging methods, is often insufficient for school system leaders to use for effectively informing their decision-making, particularly in regard to school closures. Local leaders should consider the following:

- **Focus on the Public Narrative and Trust Management:** Participate in California's Community Engagement Initiative, which has set out effective practices related to the LCFF to support districts across California. Expand the forums for discussions and expand the allies that districts engage with to reach consensus for future actions in response to decreasing enrollment. Pay attention to messaging, as the very phrases that leaders use can influence the public's positive and negative associations with the school system's actions. Because school facilities belong to the public, engage the public in considering what might be the best use of those spaces for the community.
- **Act on School Closures or Consolidation With Great Care:** School system leaders should consider a substantive number of factors—not just the money—when considering school closures or consolidation. A wealth of resources offer sound guidance on the matter as well (Bonta, 2023; Fensterwald, 2025b; Lake, 2024).

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Endnotes

i These recession periods include the following: (a) mid-1990 to 1993, brought on by the national oil price shock and combined with other California conditions, including overbuilt commercial real estate; (b) the Dot-Com bust of the early 2000s, brought on by divestment in the technology sector, an anchor for California's economy; (c) the Great Recession of 2007–09, caused by the national housing market collapse; and (d) the COVID-19 pandemic recession of 2020, caused by the COVID-19 public health crisis. Sources for each of these cited instances are as follows: Bohn, 2022; Legislative Analyst's Office, 1996; 2018; Richtel, 2001.

ii Author's analysis of trends in California state general fund revenues between 1985 and 2025, Proposition 98 contributions, and revenue per student for the average California school district. For further information see Willis & Krausen, 2023.

iii Author's analysis of public school enrollment and chronic absenteeism rates for the 2018/19, 2019/20, 2021/22, and 2022/23 school years. Data were analyzed across all LEAs and then stratified into quartiles by the proportion of unduplicated count students to assess relationships between these two variables. In no instance did the *r*-squared statistic exceed 0.05 (significance 0.05).