

Student Count Options for School Funding

Trade-offs and Policy Alternatives for California

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Executive Summary

The method California uses to count students for funding purposes is an important decision that drives both resources and behaviors. For more than 100 years, California has funded school districts based on the average number of students who attend school each day. Although this average daily attendance (ADA) method was once used by many states, the practice has faded. Now, California is one of just six states that use ADA to allocate state education funding to school districts. The remaining states use other student count methods such as average enrollment.

Some state legislators, advocates, and education leaders have proposed that California switch from an attendance-based funding system to one that funds based on enrollment, and some are debating ways to adjust count methods to protect districts experiencing attendance volatility and declining enrollment. As policymakers engage in these discussions, it is critically important that they understand California's current count method as well as potential alternatives to it.

This report studies California's attendance-based funding system. Our intent is to inform policymakers and advocates as they consider whether and how to revise existing policies or craft new policies to address a variety of state priorities related to fiscal stability, equity, attendance, and more.

We find that about 90 percent of districts would receive more funding under an enrollment-based formula than they would under the current ADA-based system, with the biggest boost going to high school districts and districts with more low-income, English learner, and foster youth students. Switching to an enrollment-based count method would increase the cost of the Local Control Funding Formula (LCFF) by about \$3.4 billion annually. Since this additional funding would come from the Proposition 98 guarantee, the legislature could choose whether to change the student count method, thereby increasing the LCFF allocation, or to invest that money in other programs outside of LCFF.

It is clear to us that a new count method, by itself, cannot achieve all goals. Switching from attendance to enrollment may help districts gain greater fiscal stability and may shift more resources to school districts with greater student needs. Such a change could also offer districts more flexibility around how to serve students instructionally—including students who might learn better through a competency-based model—and could avoid prioritizing attendance over student and public health. On the other hand, the current system includes a fiscal incentive that, most agree, encourages higher attendance, even if that attendance definition is relatively weak. If the state dispensed with this incentive, it would likely need to find other ways to drive positive practices related to student attendance and engagement.

Introduction

For more than 100 years, California has funded school districts based on the average number of students who attend school each day. Although this average daily attendance (ADA) method was once used by many states, the practice has faded. Now, California is one of just six states that use ADA to allocate state education funding to school districts. The remaining states use other student count methods such as average enrollment.

From both a fiscal and educational perspective, California’s method for counting students and allocating state funding is a critically important and longstanding policy issue. California’s attendance-based system is used to apportion roughly \$65 billion in state aid annually through the Local Control Funding Formula (LCFF). The system also operates as a financial incentive, encouraging school and district staff to boost attendance, recognizing that students cannot learn if they do not attend school. Conversely, the system effectively withholds funding from school districts with higher absenteeism.

In recent years, the COVID-19 pandemic has introduced shocks to attendance and enrollment patterns in schools, creating budgetary uncertainty as well as challenges regarding how to effectively engage and serve all students. Some state legislators, advocates, and education leaders have proposed that California switch from an attendance-based funding system to one that funds based on enrollment, and some are debating ways to adjust count methods to protect districts experiencing attendance volatility and declining enrollment.¹

As policymakers engage in these discussions, it is critically important that they understand California’s current count method and potential alternatives. To support that understanding, this report studies California’s attendance-based funding system. We review student count methods used in California and other states, and then explore the following:

1. To what extent do ADA-based funding systems incentivize higher attendance?
2. What do we know about enrollment and attendance trends before and since the pandemic?
3. What would the fiscal impact be if California were to shift from attendance-based to enrollment-based funding?
4. How might various state goals be addressed by the current ADA-based system, an alternative enrollment-based system, or other policy solutions?

¹ At time of publication, the California legislature was considering SB 830 (Portantino), which would create an add-on grant, calculated as the difference between ADA and “average daily membership,” with the requirement that half of this funding be used to address chronic absenteeism and truancy. Lawmakers were also considering a variety of proposals to “smooth” ADA over multiple years to offer some short-term financial relief to districts experiencing declining enrollment. These hold-harmless bills include SB 579 (Allen) in addition to AB 1607 and AB 1609 (both by Muratsuchi) as well as the Governor’s 2022–23 budget proposal.

Our intent is for this study to inform policymakers and advocates as they consider whether and how to revise existing funding policies or craft new policies to address a variety of state priorities related to fiscal stability, equity, attendance, and more.

Background

California local education agencies (LEAs)—school districts, county offices of education, and charter schools—receive the majority of their state funding through the LCFF. An LEA’s annual funding entitlement is calculated based on ADA, which is used as a multiplier for each of the formula’s various components, including base grants that vary by grade span as well as supplemental and concentration grants that are determined based on the unduplicated percentage of low-income, English learner, and foster youth students. School districts and charter schools must report ADA data to the California Department of Education (CDE) three times each year as part of their Principal Apportionment, which is based on calculations that adjust education institutions’ flow of funds throughout the year.²

For a student’s attendance to count for ADA purposes, they must be present for some portion of the day.³ Excused absences are excluded from the ADA figures used for apportionments. In practice, many districts consider a middle or high school student present for ADA purposes if they were present for at least one class period, and an elementary school student present if they were there at the time attendance was taken, regardless of whether they attended for the remainder of the day. In addition, many districts use third-party platforms, known as student information systems, that automatically code students as “present” unless marked absent. Some have argued that these policies and practices make ADA a relatively weak measure of attendance.

In addition to tracking attendance for funding purposes, school districts also track attendance in compliance with compulsory education laws. Students must attend school for the full day, as defined by a local school board. Any student who misses more than 30 minutes without an excuse three times during the school year is considered truant. Under truancy laws, students may be excused for several reasons, such as illness or religious observances.

² The first reporting period, known as P-1, is in January and is based on attendance from November through January. The second reporting period, P-2, is reported in April and May, and determines the final state aid payment in June. An LEA’s final annual attendance data is certified by CDE in February of the subsequent year.

³ To qualify for apportionment, a student must be scheduled to attend the statutory minimum days applicable to their grade level. The student is considered present unless marked absent for the entire school day. See Education Code 46100–46208, 46300, 47612, and 47612.5; 5 CCR § 402, 5 CCR § 403, and 5 CCR § 11960.

School districts must annually report additional attendance and absenteeism data to the state for transparency and accountability purposes. For instance, they must annually report the number and percentage of student absences, by reason, as well as the number and percentage of students who were chronically absent—meaning they were absent for 10 percent or more of the days they were expected to attend.

California Legislative History Related to Attendance-Based Funding

California established its ADA-based system in 1911 after nearly 50 years of using U.S. Census counts of children living in school districts (Kelly, 2020). Some changes were made to ADA over the years, most notably in 1998, when the state began excluding excused absences from ADA for funding purposes. Before that year, districts received funding when a student’s absence was excused by a parent due to illness, a doctor’s appointment, or other specified reasons. That practice was changed with Senate Bill 727, which was introduced after the Little Hoover Commission (1990) concluded that “the state’s system for reporting attendance is inefficient and does not encourage attendance” (p. 33). The Commission observed that school staff spent more time collecting excused-absence notes from parents and determining whether absences could count for funding than they did in actually improving attendance. The Commission—and later also the legislature⁴—leaned on a pilot study from the early 1980s finding that school districts using an alternative “positive attendance system” increased attendance rates by 3 percent in elementary schools and 5 percent in middle and high schools. Importantly, the study found that the improved attendance rates were the product not only of different attendance-keeping methods but also staff training, specific interventions, and community involvement.

It is not clear whether the 1998 legislative change led to a reduction in excused absences; if it did, the improvement was likely marginal.⁵ While excused absences are less associated with negative student achievement and other risk factors than unexcused absences in early grades, any decrease in absenteeism means more days in school (Balfanz & Byrnes, 2012; Gottfried, 2009). Additional research on strategies to improve attendance is discussed in the section “Incentivizing and Supporting Student Attendance.”

⁴ SB 727 Senate Floor Analyses (Aug. 28, 1997). Retrieved from: http://www.leginfo.ca.gov/pub/97-98/bill/sen/sb_0701-0750/sb_727_cfa_19970828_183934_sen_floor.html

⁵ In the late 1990s, excused absences accounted for about 4 percent of ADA. Today, excused absences account for about 3 percent of ADA (adjusted to include excused absences). Today, 54 percent of absences are excused.

Student Count Methods in Other States

States vary in how they count students for purposes of distributing base or foundation-level funding (see Table 1).⁶ In the most common method, average daily membership, LEAs are funded based on an enrollment count averaged across most or all of the school year. Other states count students on a single day or over multiple count days.

Table 1. Student Count Methods Used by U.S. States

| Student Count Method | Description | Number of States |
|---------------------------------------|---|------------------|
| Average Daily Membership | Average enrollment counts over most or all of the year | 23 |
| Single Count Day | Enrollment or attendance count from a single day, typically in the fall | 12 |
| Multiple Count Days | Attendance or enrollment counts from multiple days, e.g., fall and spring | 9 |
| Average Daily Attendance (ADA) | Averaged daily attendance counts over most or all of the year | 6 |
| Enrollment Period | Enrollment counts over multiple days | 1 |

California is one of six states that use ADA, but California is not the only ADA state to consider changes.

In **Kentucky**, a school funding task force established by the legislature in 2021 recommended that state leaders make a permanent shift away from attendance-based funding to “minimize extreme funding changes” for districts (Kentucky Legislative Research Commission, 2021). A supporting analysis had also found that the ADA system created a funding equity issue that could be addressed by switching to a membership-based method (Kentucky Legislative Research Commission Office of Education Accountability, 2021). One of the task force’s co-chairs introduced a bill in March 2022 to transition from Average Daily Attendance to average daily membership starting with the 2024–25 school year.⁷

In **Idaho**, the legislature temporarily shifted from ADA to enrollment during the pandemic in order to stabilize district funding, and policymakers have recently proposed to make that change permanent.⁸ That came after years of debate: lawmakers have argued that attendance incentives are still needed, while educators have asked for more budgetary certainty (Bodkin, 2021).

⁶ A deeper review of these formulas, including statutory references, is available through the Education Commission of the States: <https://reports.ecs.org/comparisons/k-12-and-special-education-funding-03>

⁷ House Bill 703 was introduced Mar. 1, 2022, <https://apps.legislature.ky.gov/record/22rs/HB703.html>

⁸ House Bill 627 was introduced Feb. 14, 2022, <https://legislature.idaho.gov/sessioninfo/2022/legislation/H0627>

Illinois was perhaps the most recent state to make the change from ADA to enrollment, a shift made as part of a major overhaul of the state’s school funding system. A representative we spoke with said that the new Evidence-Based Formula, passed in 2017, used enrollment for two main reasons—first, because school districts plan for enrollment, not attendance, and second, because policymakers did not want to penalize higher poverty districts that had higher absenteeism. Between 2015 and 2020, Illinois also undertook a separate effort to study ways that the state could improve chronic absenteeism. The attendance commission worked to identify strategies for improving attendance through better data definitions, data collection, tiered supports, family engagement, and awareness-building.⁹

In **Texas**, lawmakers introduced but failed to advance a 2021 bill that would have replaced ADA with an average daily enrollment count.¹⁰ Lawmakers did, however, hold districts harmless for attendance declines earlier in the pandemic—but those hold-harmless provisions were based on prior-year ADA trends rather than alternate student count methods.

Incentivizing and Supporting Student Attendance

The main argument for an attendance-based funding system is that it encourages student attendance, a necessary precondition to learning. To what extent does the evidence support this argument, and what policy levers are available to state leaders wishing to improve attendance?

The Research on Attendance and Policy Incentives

Students from lower income backgrounds are more likely to be absent since they face individual, family-related, and community-specific barriers that increase the likelihood of missing school (Baker, 2014). These students more often experience adverse health conditions, transportation-related barriers, school transfers, and housing insecurity (Chang & Romero, 2008). They are also more likely to experience mental health and behavioral challenges that increase school exclusion and disengagement (Chang et al., 2019). A community’s crime rate and immigration enforcement activity also affects absenteeism. These effects are more pronounced at the high school level and in urban communities (Finning et al., 2020). In addition, Black, Latinx, Native American, and Pacific Islander students experience higher absenteeism than do White or Asian students. English learners are also less likely than non-English learners to be chronically absent, though national data shows that this pattern reversed itself during the pandemic (Lehrer-Small, 2021).

⁹ Information on Illinois’ Attendance Commission can be found at <https://www.isbe.net/Pages/Illinois-Attendance-Commission.aspx>

¹⁰ House Bill 1246 was introduced Jan. 21, 2021, <https://legiscan.com/TX/bill/HB1246/2021>

In addition to these non-school factors, there are also school factors that drive attendance. Attendance is higher when students have relationships with caring adults and experience positive, supportive school environments (Van Eck et al., 2017). Schools and districts can influence these factors and can also increase attendance by strengthening communication and engagement with families and collaborating with community-based partners, including those providing social, health, immigration, and legal services (Gottfried & Hutt, 2019). Schools and districts can further strengthen attendance by tracking data on absenteeism and providing early interventions when students are chronically absent (Chang et al., 2019).

The research on how state funding policies can drive attendance is scant and mixed. One study found that states with “high incentive” student count methods that rely on continued enrollment or attendance throughout the year, such as ADA-based funding formulas, have statistically higher graduation rates (Ely & Fermanich, 2013). However, another study found that in Texas, which has an ADA system, there was “very little variation in districts’ impacts on student attendance, after taking into account student background characteristics,” suggesting that the funding system itself had little impact on attendance (Knight, 2018, p. 2). Yet another study in Texas found that principals in alternative schools—which traditionally serve students who have previously dropped out, students experiencing homelessness, and other students at high risk for absenteeism—may be hesitant to enroll students with a history of truancy, in part because of the impact those students may have on their schools’ funding (Watson & Hemmer, 2015). Finally, another Texas study speculates that the ADA incentive is one felt by the district, which is responsible for budgeting, but not necessarily by the school site. This study found that class size, high school size, and school district size are all inversely associated with ADA, potentially supporting this theory (Jones et al., 2008).

When we compare ADA-to-enrollment ratios in states with and without ADA-based funding formulas, no clear pattern emerges. California typically ranks in the top 10 states when it comes to these attendance ratios, with a 5-year average of 95.6 percent attendance as compared with the national average of 93.5 percent.¹¹ However, there is no consistent pattern among the other ADA states. When we look at chronic absence rates, California also does reasonably well, ranking 12th nationally in terms of lower levels of chronic absenteeism in 2017–18 (Attendance Works & Everyone Graduates Center, 2021). An important caveat when making these national comparisons, however, is that attendance definitions and practices vary considerably from state to state. For example, California districts may count a student “present” even if they only attended one class period, whereas other states like Connecticut and Massachusetts require that a student be present for at least half of the school day.

¹¹ Based on authors’ analysis of National Center for Education Statistics data from fall 2013 to fall 2017

State Policy Levers

As state leaders debate whether to modify the attendance incentives that are currently part of the funding formula, they will also want to consider other ways in which state policies incentivize attendance. There are three main ways in which states typically incentivize and support student attendance. They can: (1) provide fiscal incentives or penalties; (2) encourage a focus on attendance through systems of school and district accountability and support; and (3) create safety nets and enforcement mechanisms for truant students and their families. To varying extents, California has policies in place that align with each:

1. **Fiscal incentives.** The ADA-based funding system, of course, provides fiscal incentives and penalties. If California were to move away from ADA-based funding, it could consider whether to add other kinds of fiscal incentives for attendance or whether to lean more heavily on the other two policy levers.
2. **Accountability and support.** Over the last few years, California has begun addressing attendance through its systems of accountability adopted with the LCFF and in compliance with the Every Student Succeeds Act (ESSA) of 2015. California includes “Pupil Engagement” as one of eight state priorities under the LCFF. Districts are expected to address this priority in their Local Control and Accountability Plans (LCAPs)—which are meant to be used for continuous improvement and accountability at the local level—and to measure progress on attendance rates, chronic absenteeism rates, and middle and high school dropout rates. In addition, the California School Dashboard measures and reports chronic absenteeism rates for each student subgroup in each school and district, alongside various other local and state indicators. Dashboard results are used to determine which schools and districts are eligible for improvement efforts and interventions. California leaders may want to study how effective these systems are in improving attendance.
3. **Truancy enforcement.** California enforces compulsory attendance laws through a variety of escalating interventions and supports, including, initially, conferences between school personnel, families, and the student—and escalating to referral to school attendance review boards (SARBs) and county truancy officers. As currently designed, these systems are typically seen as punitive towards students and families, and research suggests that involvement of the juvenile court systems does not improve an individual student’s attendance (Weber, 2020). Further, punitive truancy systems probably do not provide sufficient system-level incentives or safeguards to improve school attendance overall.

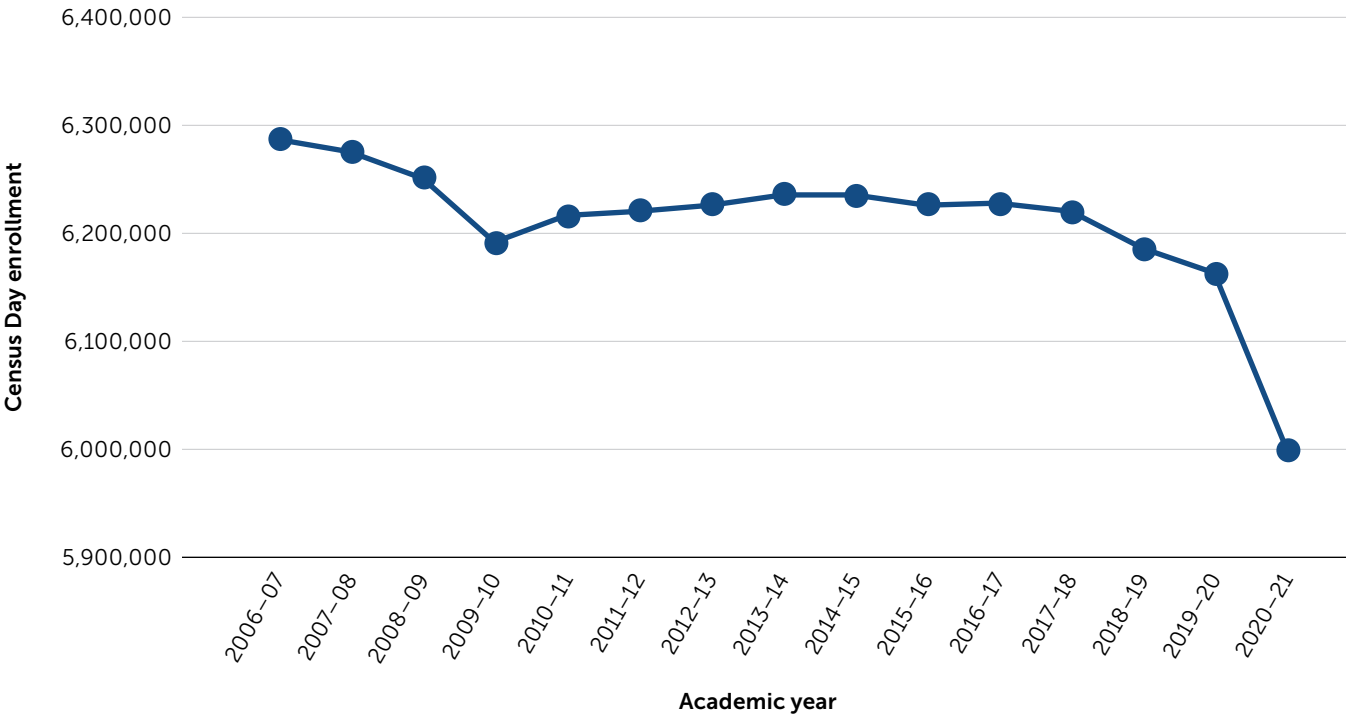
If California were to move away from ADA-based funding, part of that decision should be based on an evaluation of the extent to which other policy levers could be pulled or strengthened to support student attendance. We discuss these policy levers further in the “Policy Considerations” section of this report.

Understanding Enrollment and Attendance Patterns in California

Enrollment Trends Before and Since the Pandemic

Before the pandemic, public schools were already experiencing enrollment declines due to declining birthrates and migration patterns (Warren & Lafortune, 2020). The pandemic accelerated that downturn. In 2020–21, the state’s enrollment dropped by about 2.6 percent, or 160,000 students, which is more than 10 times the rate at which enrollment had been declining annually in the 5 years before the pandemic (see Figure 1).

Figure 1. California Public School Enrollment From 2006–07 to 2020–21



Source: California Department of Education, DataQuest, Retrieved February 5, 2022. <https://dq.cde.ca.gov/dataquest/page2.asp?level=State&subject=Enrollment>

Declines were steepest in Kindergarten as compared to other grades and for low-income, Black, and Native American students as compared with other student groups (Lafortune, 2021). Enrollment drops cannot be explained by private school enrollments, which decreased by about the same percentage as public schools in 2020–21 and dropped once again in 2021–22.¹²

¹² California Department of Education. Retrieved January 24, 2022, from <https://www.cde.ca.gov/ds/si/ps/>

At least a small portion of the decline can be attributed to home school enrollments, which increased by about 20,000 in 2020–21 but then dropped by half of that in 2021–22.¹³ In addition, some families may have been delaying school entry for younger students, and some families may have left the state or even the country. For example, some LEA leaders report that many students may be temporarily living in Mexico, even as their families maintain home residences in California. Still other students may be participating in unregistered home schools of varying types, or they may have dropped out of school altogether.

Statewide enrollment figures are not yet available for 2021–22. However, newly released P-1 ADA figures reveal that ADA dropped by over 500,000 students, or 8.5 percent, between 2019–20 and 2021–22.¹⁴ State leaders should not assume that that plummeting ADA is entirely due to enrollment declines. Many district leaders have reported exceptionally high absence rates in 2021–22 as COVID variants have increased illness and quarantines (Jones, 2021). Although the state has offered short-term independent study as an ADA-earning option for students quarantining three days or more, it is unclear how many districts have taken full advantage of that option. Many report that the paperwork, logistical, and labor negotiation challenges have not been worth it.

While enrollment declines present an ongoing fiscal issue, attendance volatility has been somewhat unique to the pandemic. That said, other emergencies such as wildfires have also caused major attendance swings for districts. While the state should not necessarily design permanent funding systems based on these short-term challenges, it should assume that various health, climate, and other emergencies will continue to affect districts and bring with them new episodes of enrollment and attendance volatility.

Attendance Patterns During the Pandemic

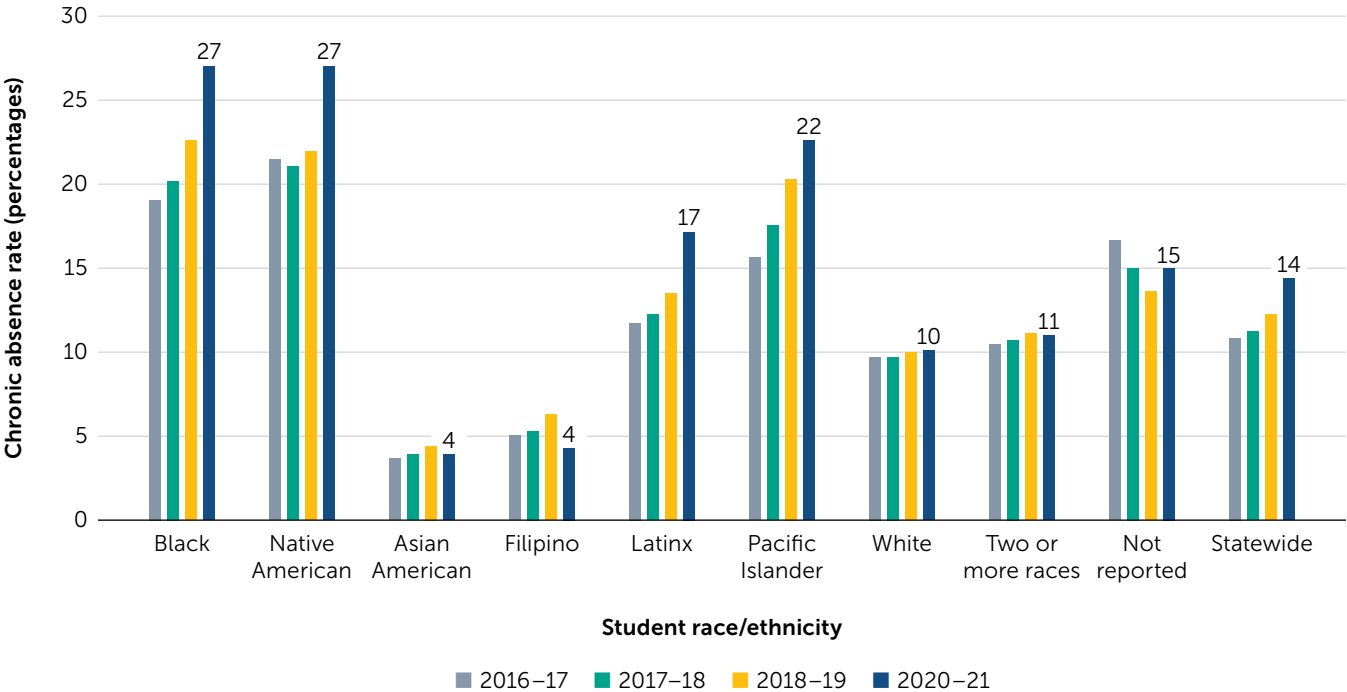
It is not possible to know exactly how ADA-to-enrollment ratios changed in 2020–21, since LEAs were funded based on 2019–20 rather than 2020–21 ADA.¹⁵ As noted above, ADA dropped significantly in the first part of 2021–22, but it is too early to know whether this was due to declining enrollment or to higher absenteeism. It is certainly a mix of both, but in what proportions? However, other indicators tracked by the CDE reveal that absenteeism did in fact increase in 2020–21. The average student was absent 9.8 days in 2018–19 and 13.3 days in 2020–21. The percentage of students who were chronically absent—who missed 10 percent or more of school days—jumped from 12 percent in 2018–19 to 14 percent in 2020–21, with chronic absenteeism highest among Black, Native American, and Pacific Islander students (see Figure 2).

¹³ From California Department of Education correspondence.

¹⁴ California Department of Education memo entitled 2021–22 P-1 Data Collection: Average Daily Attendance (ADA) Summary, dated Feb. 18, 2022.

¹⁵ LEAs that anticipated ADA or enrollment growth in 2020–21 could receive 2020–21 growth funding.

Figure 2. Chronic Absenteeism Over Time by Student Race/Ethnicity



Source: California Department of Education, DataQuest. Retrieved January 24, 2022, from <https://dq.cde.ca.gov/dataquest/page2.asp?level=State&subject=Attendance&submit1=Submit>

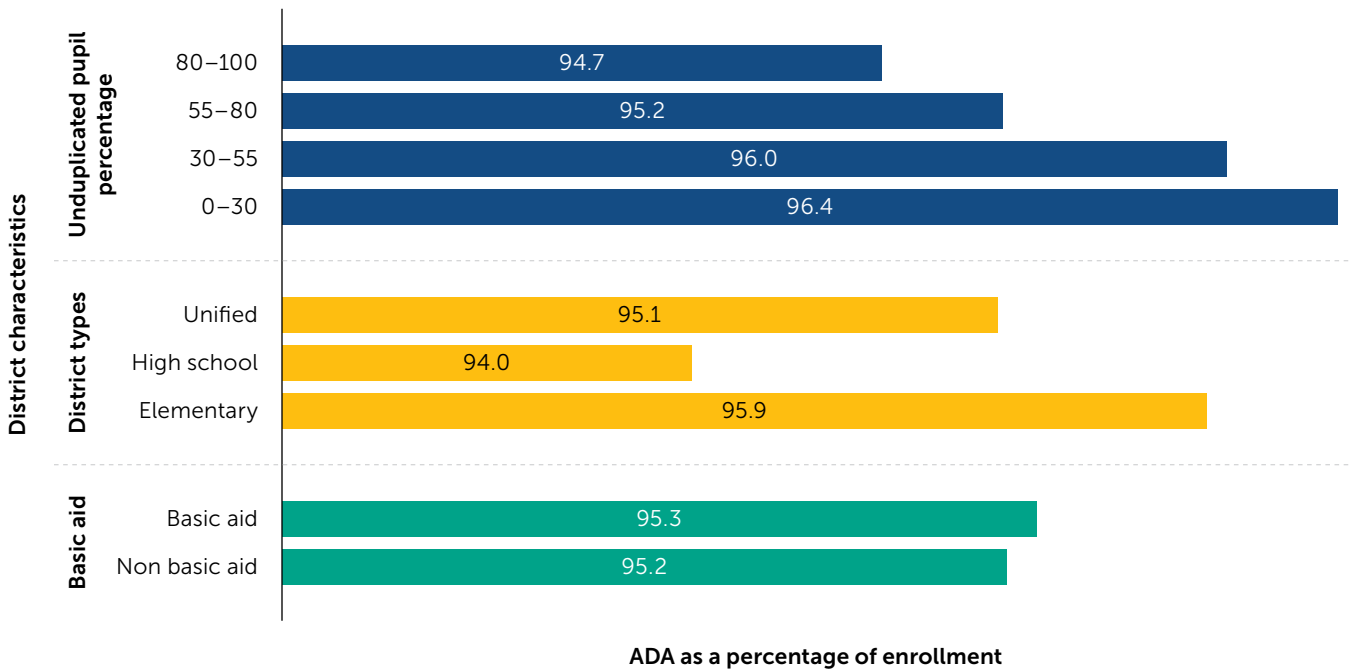
California Attendance Compared to Enrollment

In considering the trade-offs between attendance-based and enrollment-based funding systems, policymakers might wonder how different ADA and enrollment really are. In California, total ADA is usually about 95.5 percent of October Census Day enrollment. However, these attendance ratios vary across district types. In Figure 3, we present ADA-to-enrollment ratios aggregated by various district characteristics.

To create these ratios, which we also call “attendance rates,” we divided each district’s ADA by the number of enrolled students on Census Day—the first Wednesday in October—which represents a baseline count of all students enrolled in the LEA. We then grouped districts by whether they were elementary, high school, or unified districts—excluding all charter schools because of various data anomalies. We also grouped districts by their percentage of low-income, English learner, and foster youth students (“unduplicated” pupils under the LCFF). Finally, we grouped districts by whether they were “basic aid”—districts where local property tax revenues exceed LCFF entitlements and the district keeps the excess funding.

We found that elementary school districts had higher attendance rates than did unified districts, which had higher rates than did high school districts. Districts with low unduplicated pupil percentages had higher attendance rates than did those with high unduplicated percentages. This means that, in general, high school districts and districts with greater student needs suffer the greatest fiscal penalties under the current formula. Or, put differently, elementary districts and districts with fewer high-need students receive funding for a greater proportion of their enrolled students. Attendance rates are approximately the same between basic-aid and non-basic-aid districts, even though basic-aid districts are not funded based on attendance or enrollment (instead, these districts receive a fixed amount of funding based on local property taxes, regardless of the number of students they serve).

Figure 3. ADA as a Percentage of October Census Day Enrollment



Sources. Enrollment data and unduplicated pupil percentage come from the California Department of Education (CDE) CALPADS UPC Source Files (K–12), 2016–17 to 2018–19. ADA and district type data come from the Standardized Account Code Structure (SACS) Unaudited Actual Data Sets, 2016–17 to 2018–19. Basic aid data come from a School District LCFF Calculation, 2019–20. P-2 Apportionment file obtained directly from the CDE.

Notes. These figures represent a three-year average using data from 2016–17 to 2018–19. For the district type aggregation, the authors’ analysis includes 344 unified districts, 71 high school districts, and 512 elementary districts. In 2019–20, there were 144 basic-aid districts and 782 non-basic-aid districts.

Fiscal Analysis

Policymakers will want to know how much it would cost to replace the current ADA-based funding system with an enrollment-based system. In this section, we estimate how much it could cost if California were to shift from ADA to enrollment when apportioning LCFF funding. We also address which districts would most benefit financially from this shift.

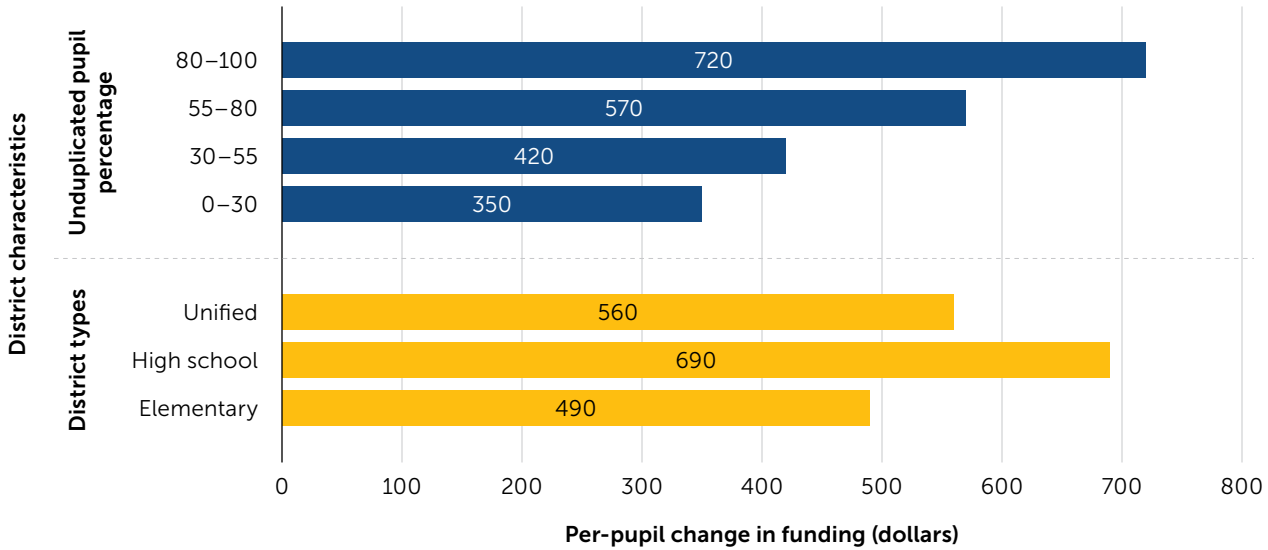
If California were to replace ADA with enrollment count (or if it were to calculate an attendance “supplement” based on enrollment, similar to what has been proposed by 2022’s SB 830), the state would have to decide whether to use a single count day, multiple count days, or an average daily membership count. For purposes of this analysis, we estimate the possible fiscal impact of switching entirely from ADA to enrollment using a single fall count day—mainly because we do not have access to statewide data that would allow us to model multiple count days or an average daily membership.

However, this is a case where the count method matters a great deal. Some districts experience significant changes in enrollment over the course of a year for a variety of reasons. For example, some districts—especially those in rural farming communities—serve migrant families that come in and out of the district. High school districts are more likely than elementary districts to lose students who drop out over the course of a year. Many non-classroom-based charter schools experience enrollment increases later in the year as high school-age students enroll in those schools to recover credits or complete their degrees. We advise policymakers to model these different scenarios.

For now, we simply compare the LCFF funding districts receive under the current ADA system to the LCFF funding that districts *could* receive if the formula used Census Day enrollment instead. We estimate this change for 2022–23, making some assumptions about enrollment and attendance levels as well as about base grant amounts (see notes under Figure 4). Once again, we report the data by district type, excluding charter schools, and by unduplicated pupil percentage.

We find that most districts, about 90 percent, would receive more LCFF funding under an enrollment-based funding formula than they would under the current ADA-based system, with the biggest boost going to high school districts and districts with high percentages of unduplicated students (see Figure 4). As it stands now, the Proposition 98 guarantee—the minimum amount of money the state must spend on education—is sufficient to cover an increase to LCFF of this magnitude. However, the state would need to determine whether to prioritize increases to LCFF or investments in other programs.

Figure 4. Per-Pupil Change in Projected 2022–23 Funding if Census Day Enrollment Instead of ADA Determined LCFF Funding



Sources and Notes. We started with enrollment data from the CDE CALPADS UPC Source File (K–12) and ADA data from the SACS Unaudited Actual Data Sets, 2016–17 to 2018–19. We adjusted these figures to estimate what enrollment and ADA may be per LEA in 2022–23. We assumed that ADA and enrollment would each be 95.6 percent of 2018–19 ADA and enrollment, since these were the 2022–23 ADA assumptions from the governor’s proposed 2022–23 budget. We assumed that LEAs would receive base grants as set forth in the governor’s proposed budget. For the purposes of this figure, we assumed that no LEA would lose funding. LCFF funding is rounded and includes base, supplemental, and concentration grants.

Total State Cost

If the state were to shift from ADA to Census Day enrollment for purposes of apportioning the LCFF, we estimate that the total additional cost to the state for all LEAs, inclusive of charter schools, would be roughly **\$3.4 billion annually**.¹⁶ The cost could be smaller if the state instead used an average daily membership method or multiple count days, since enrollment tends to drop later in the school year. This estimate is for the LCFF alone and does not include other TK–12 programs that are also funded based on ADA. Further, the total cost depends significantly on how enrollment and attendance patterns evolve in future years.

Like most new investments in TK–12 education, this would need to come from the Proposition 98 guarantee. Since a change in the student count method would increase the LCFF but not the total size of the Proposition 98 guarantee, this would not necessarily be

¹⁶ This assumes a 2022–23 per-pupil LCFF cost of \$12,334 and an ADA of 5,715,844, consistent with the governor’s proposed 2022–23 budget. As anticipated 2022–23 enrollment was not included in that budget, we estimated it at 4.9 percent higher than ADA in 2022–23, since enrollment was 4.9 percent higher than ADA between 2016–17 and 2018–19.

“new” money for LEAs. Instead, the legislature would need to choose whether to spend roughly \$3 billion to change the LCFF student count method or whether to invest that money in other programs outside of the LCFF, for instance in programs like school transportation, teacher professional development, or libraries.

This is not the only way the state could augment the LCFF: it could alternatively choose to increase the base grant or the supplemental and concentration grant weights. As a point of reference, in its 2021–22 budget, the state chose to invest about \$1.1 billion annually to increase the concentration grant weight from 50 to 65 percent. In many respects, shifting the count method from ADA to enrollment could be considered an augmentation to the full LCFF, since it benefits all districts, with higher poverty districts benefitting more than others.

Impact on District Data Collection and Operations

Districts and charter schools currently devote staff time and resources to collecting and reporting attendance data for the purposes of ADA and in compliance with compulsory attendance laws and other state reporting and accountability requirements. It is not clear how these attendance-focused efforts would be impacted under a change to an enrollment-based system. In several other states where funding is based on enrollment, attendance data reporting requirements are still significant, with this data at least partly used as a check on district-reported enrollment data.

California LEAs typically use third-party platforms to manage and secure their students’ data. These student information systems and the district data teams who work with them would likely play a key role in executing any shift in data collection to ensure data accuracy, efficiency, and security. The practitioners we spoke with said that the impact on time and resources would be minimal to moderate, depending on what new reporting and compliance requirements are required.

Policy Considerations

When debating whether to change California’s ADA-based funding model, policymakers and advocates will want to consider what their goals are and how possible changes will help meet those goals. Below, we identify nine possible state goals. We assess the extent to which the current ADA count method helps realize those goals, and the extent to which an alternate enrollment-based count method would help realize those goals. We also offer other policy options and trade-offs to consider.

Goal 1. Increase Education Funding

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| ADA count method | The current system distributes the LCFF portion of state education funding but it does not generate revenue. |
| Enrollment count method | An alternate count method would not create more revenue for schools; it would only redistribute funds available under the Proposition 98 guarantee. |
| Policy options, considerations, and trade-offs | Shifting to an enrollment-based method could increase the amount of discretionary LCFF funding available to LEAs if the state balances that increase with reductions in one-time or categorical spending, or if it funds schools above the Proposition 98 guarantee. |

Goal 2. Distribute State Education Funds Equitably

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|---|---|
| ADA count method | The current system is fiscally regressive: districts with more unduplicated students have lower attendance rates and suffer greater financial penalties as a result. This dilutes the equitable funding goals of the LCFF. |
| Enrollment count method | An enrollment-based funding system would result in larger per-pupil LCFF increases for higher-need LEAs. That would be true whether the state moved entirely from ADA to enrollment, or whether it chose to create some kind of supplemental add-on that calculates the difference between ADA and enrollment, as proposed in 2022 by SB 830. |
| Policy options, considerations, and trade-offs | The LCFF is progressive overall because of its supplemental and concentration weights. Policymakers might consider whether the weights are significant enough to counter other regressive features of the formula, like the financial penalty for low-ADA districts serving higher-need student populations. |

Goal 3. Create Within-Year Budgetary Certainty for Districts

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| ADA count method | ADA has been extremely volatile during the pandemic, especially as virus variants have led to illness and quarantines. This has made it difficult for districts to project within-year funding and plan for staffing and other services. |
| Enrollment count method | Enrollment may be more stable than attendance. It takes longer for families to move or unenroll. |
| Policy options, considerations, and trade-offs | It is too soon to tell whether the ADA volatility introduced by the pandemic will persist or whether it is unique to this moment of crisis. The state already has policies in place that hold districts harmless for lost instructional days or absence declines due to emergencies, including fires and floods. These protections are intended to be short-term in nature but with modifications could perhaps be sufficient to mitigate ADA volatility during many health or other emergencies. |

Goal 4. Help Districts Budget and Plan Over Multiple Years

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|---|---|
| ADA count method | Districts estimate future ADA based on past ADA and enrollment trends; they use these data to make staffing decisions for the next year. Although ADA has historically been more stable over multiple years than it has been within a single year, any volatility can complicate planning. |
| Enrollment count method | An enrollment-count method may ease concerns about attendance volatility, but many districts will still have to plan for declining enrollment, regardless of the count method. |
| Policy options, considerations, and trade-offs | Policymakers should not consider a shift from ADA to an enrollment-count method a solution to broader issues related to declining enrollment. Those could be addressed, instead, through hold-harmless provisions that help districts avoid fiscal cliffs as enrollment declines. Of course, such hold-harmless provisions would require the legislature to fund student seats that no longer exist at the expense of growing enrollment districts or other state priorities. |

Goal 5. Improve Student Attendance and Engagement

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| ADA count method | ADA-based funding likely incentivizes LEAs to pursue higher attendance rates, at least to some degree. However, it is unclear the extent to which this incentive leads practitioners to effectively address the root causes of chronic absenteeism. Some equity advocates have suggested that districts may even be incentivized to push out students who are chronically absent because of the financial penalties districts incur for absentees. Attendance rates can also be an imperfect proxy for student engagement, particularly at the high school level where a student may only attend one class yet still be counted as present for purposes of ADA. |
| Enrollment count method | If California were to drop the attendance incentive in the funding formula, it might need to strengthen other policy levers that incentivize school and district staff to promote and strengthen attendance and mitigate chronic absenteeism. The state could also consider hybrid methodologies, such as an enrollment-based system that includes incentives or penalties when attendance falls outside of an expected range. |
| Policy options, considerations, and trade-offs | Policymakers should ascertain whether the current policy levers (including but beyond just the funding formula) are driving the right kinds of practices and behaviors to effectively promote positive conditions for learning, alongside targeted interventions for chronic absenteeism. |

Goal 6. Incent Districts to Provide In-Person Instruction

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| ADA count method | The state’s current methods for tracking school attendance and independent study require districts to track and count student presence or participation each day. |
| Enrollment count method | States that use enrollment count methods have similarly found methods for tracking and counting student participation on a daily basis. There is no clear link between the student count method and the quality or frequency of in-person instruction. |
| Policy options, considerations, and trade-offs | In order to limit remote instruction, other state strategies reported by the Education Commission of the States (Syverson & Duncombe, 2022) include (a) caps on the percent of a district’s students that can be in remote instruction (e.g., Texas); (b) reimbursement rates that are lower for students enrolled in virtual instruction as opposed to in-person instruction (e.g., Indiana); (c) restrictions on the percentage of school days that can be virtual (e.g., Arizona); and (d) performance conditions for districts that offer remote learning (e.g., Texas). |

Goal 7. Spur Innovation in the Delivery of Instruction

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| ADA count method | By requiring that students are either physically present at school or enrolled in an independent study program, the state has made it harder for districts to offer competency-based and personalized instructional programs. |
| Enrollment count method | If funded based on enrollment, districts might feel more freedom to experiment with competency-based and personalized learning practices that allow students to move at different paces and learn in different ways, including through a mix of in-person and online environments. |
| Policy options, considerations, and trade-offs | Without changing the student count method, the state could offer more clarity and flexibility regarding what counts as “attendance.” It could also encourage innovation by making changes to assessment and accountability rather than through funding. |

Goal 8. Promote Health and Safety

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| ADA count method | The current policy encourages students to attend school when sick or unwell. This increases the risk of spreading illness at school and may devalue the importance of students’ physical and mental wellbeing. |
| Enrollment count method | An enrollment-based system would remove the financial penalty for illness or enforcement related to public health and safety (e.g., quarantines). |
| Policy options, considerations, and trade-offs | Without ADA, schools and districts might need other incentives to track absences and address issues related to students’ physical and mental wellbeing. |

Goal 9. Minimize Operational Burden for Schools and Districts

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| ADA count method | The current system requires staff to take and enter attendance, as well as staff to review attendance data and resolve errors. Staff often follow up with families of absent students. |
| Enrollment count method | Attendance keeping would continue since chronic absenteeism and attendance reporting are still part of the state accountability system. Districts would likely need to make changes to their student information systems and data practices to adjust to an enrollment count method, but the impact would probably not be costly for most LEAs. |
| Policy options, considerations, and trade-offs | Transitioning away from attendance-based funding could reduce the amount of time and resources LEAs spend categorizing student attendance for funding purposes. On the other hand, an enrollment-based funding system may increase the amount of time and resources LEAs spend to accurately track enrollment, particularly if the policy includes new rules for determining enrollment. |

Conclusion

The method California uses to count students for funding purposes is an important decision that drives both resources and behaviors. California leaders should examine their policy goals related to fiscal stability, equity, attendance, and more in order to determine whether the current ADA-based funding system is helping to meet those goals. It is clear to us that a new count method, by itself, cannot achieve all goals. Switching from attendance to enrollment may help districts achieve greater fiscal stability, and it may help redistribute resources to school districts with greater student needs. It could also offer districts more flexibility around how to serve students instructionally—especially students who might learn better through a competency-based model. On the other hand, the current system includes a fiscal incentive that, most agree, encourages higher attendance, even if that attendance definition is relatively weak. If the state dispensed with this incentive, it would likely need to find other ways to drive positive practices related to student attendance and engagement.

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