EDUCATION COMMISSION OF THE STATES

POLICY BRIEF

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Student Counts in K-12 Funding Models

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Whether through enrollment numbers or attendance estimates, the way states count their K-12 students directly impacts the allocation of hundreds of billions of dollars in state and local aid to school districts each year. While student count policies have consistently had a considerable impact on resource allocation, the COVID-19 pandemic, coupled with changing learning environments, have raised new considerations for state policy.

States use student count policies to raise or lower a district's funding amount based on changes to the size of its student population. As a result, districts stand to lose tens of thousands of dollars each year because of normal variations in student attendance and enrollment. Recent challenges with fluctuating enrollment illustrate the central role student counts play in K-12 funding models and why it is important that these counts are accurate. The COVID-19 pandemic made clear just how dramatic an effect a shift in enrollment can have on the level of resources states provide to schools. K-12 student enrollment declined 3% in the 2020-21 school year with most states experiencing a decline of 1% to 4% — the largest decline in enrollment since 2000. While a decline in enrollment of 3% may appear modest, the impact on school district budgets would have been significant had states not taken action to prevent these financial losses for districts.

This Policy Brief summarizes different state approaches to counting students for funding purposes, highlighting advantages and challenges for each method. It then presents future considerations for student count policies given three current trends:

Key Terms

Student counts: The total number of students who receive state funding. States may use enrollment or attendance to determine the student count.

Student attendance: The total number of students present at school on a given day.

Student enrollment or membership: The total number of students registered to attend a school at a given time.

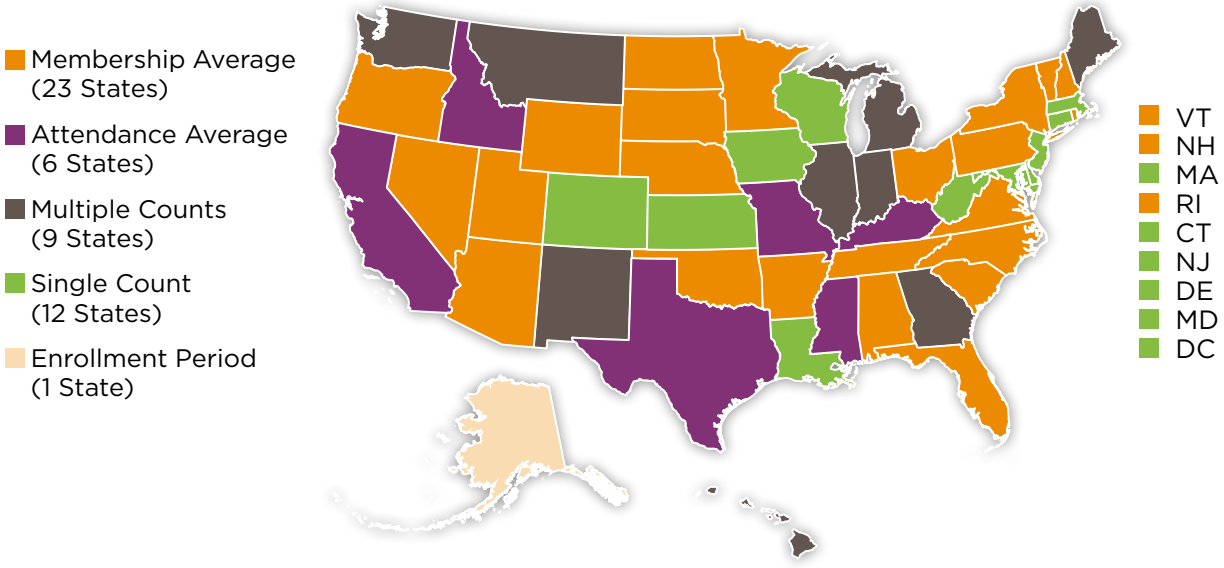
- Students are increasingly using online instruction.
- States are enacting hold harmless policies in response to COVID-19.
- Growth of universal free meals are impacting counts for students from low-income backgrounds.

State Approaches to Student Counts in K-12 Funding Models

Although states employ different funding models to allocate resources to districts, all models require districts to count their student population; states use these counts to calculate the amount of funding each district receives. States that use the student-based foundation model typically set a base per-pupil funding amount for every student counted. In states using a resource-based allocation model, student counts determine the number of funded full-time equivalent staff through a staff-to-student ratio (i.e., 1 full-time equivalent:25 students). Student count policies also allow states to determine how many students belong to specific population groups who may qualify for additional per-pupil funding.

States employ a variety of methods to count student attendance and enrollment for funding purposes. In the 50-State Comparison: K-12 and Special Education Funding, Education Commission of the States identified five different policy approaches outlined in state statutes: single count, multiple counts, enrollment period, attendance average and membership average.

Student Count Policies



Single Count

States using a single count methodology collect student enrollment or attendance from a single day, typically early in the fall, as the student count for the entire year. This point-in-time method does not make mid-year adjustments based on attrition or transfers during the school year.

Advantages

- Administration: States and districts only need to collect fall enrollment data, which they already submit to the U.S. Department of Education.

Challenges

- Accuracy: The single count approach is insensitive to fluctuations that occur throughout the school year, including students transferring from one district to another, students enrolling after the selected count day or students who drop out of school. For states using attendance, students absent on the count day will be excluded.
- Equity: Districts losing or gaining students throughout the school year will not be compensated for these changes. Students who move frequently are more likely to be from low-income backgrounds, families that are not homeowners and Black families compared with students who do not move frequently.

Multiple Counts or Count Period

States using multiple counts collect enrollment or attendance counts on two or more days per year, typically early in the fall and spring. The count days are averaged together, and funding allocations are adjusted accordingly. States with an enrollment count period are similar but do so over a period of multiple days. (If the duration of the enrollment count period is a full school year, or most of a school year, the state is considered to be using a membership average method.)

Advantages

- Administration: As a compromise between the single day and school year average, multiple count days are fairly easy to administer — with only one or a few adjustments throughout the school year.
- Accuracy: Unlike a single day count, there is at least one mid-year adjustment to account for shifting student populations.

Challenges

- Accuracy: This approach does not capture enrollment or attendance fluctuations with as much accuracy as an annual average.

Pre-Kindergarten and Kindergarten Enrollment

Pre-K and kindergarten had much larger enrollment declines during the COVID-19 pandemic compared with other grade levels. Enrollment in pre-K and kindergarten declined 13% compared with a decline of 3% for grades one through eight and 0.4% for grades nine through 12. The enrollment drops also had considerable variability by race and socioeconomic status. The declines may be temporary as some families chose to wait a year to enroll their child. Kindergarten enrollment is showing signs of rebounding in the 2021-22 school year.

Attendance Average

States using an attendance average calculate the average number of children in attendance each day for all or most of the school year. States may account for excused absences.

Advantages

- Accuracy: The attendance count is not based on a single point or a few points in time — which can fluctuate significantly — but on attendance throughout most or all of the school year or across multiple school years.
- Equity: Districts have a financial incentive to maintain or improve attendance, as their state funding allocation depends on consistent student attendance. This policy may direct districts to focus on student populations that have historically experienced barriers to consistent attendance, including students with a disability, as well as American Indian, Pacific Islander and Black students, English learners and students from low-income backgrounds.

Challenges

- Administration: Attendance averages can be more time-consuming and costly to administer than counting students on one or multiple days. Districts must collect attendance throughout the year and submit updates to the state. States may need to monitor for inconsistencies.
- Equity: This approach penalizes districts with lower attendance rates. Districts with attendance challenges may already be under-resourced and have difficulty overcoming student barriers to attendance, particularly with restricted funding.
- Stability: Attendance counts may fluctuate as has been illustrated during the COVID-19 pandemic. At least one state has shifted temporarily from attendance to enrollment during the pandemic with attendance more uncertain during the public health crisis, and another state is considering making this change on a permanent basis.

Membership Average

States using a membership average, also called average daily membership or average daily enrollment, calculate the average number of children enrolled in each district for most or all of the year. The average can be based on the previous or current school year. States may periodically update the membership average throughout the year or reconcile budgeted estimates with the actuals at the end of the year.

Advantages

- Accuracy: The enrollment count is not based on a single point or a few points in time, which can fluctuate more significantly, but throughout most or all of the school year or across multiple school years.
- Equity: This approach funds districts based on the number of students a district must be prepared to instruct rather than the number of students in attendance. As a result, there are no negative funding effects on districts with absent students.

Challenges

- Administration: This method can be more time consuming and costly to administer. The state and districts must monitor enrollment throughout the year, and districts may need to submit multiple reports to the state. States may need to develop quality control processes to identify inconsistencies in these reports.
- Equity: While the membership average does not penalize districts for students who are absent, it also does not provide a financial incentive for districts to increase student attendance.

Considerations for Student Count Policy

Learning environments are evolving and student count policy can reflect these changes. As states adapt their student count policy, future consideration can be given to recent trends, which include the increased use of online instruction, the increased use of hold harmless policies in response to COVID-19, and the decreased availability of free or reduced-price meals data. This section discusses these trends and highlights state policy to respond to the changing landscape.

Online Instruction

The COVID-19 pandemic accelerated an established trend of increasing student enrollment in virtual instruction. During the pandemic, full- and part-time virtual enrollment dramatically increased, accounting for nearly 40% of enrollment declines in traditional public schools. The pandemic also shifted students enrolled in traditional schools into remote learning, as districts responded to school building closures by adopting virtual or hybrid instructional models. This transition to virtual instruction has been aided by almost $200 billion in federal relief funds that have increased district capacity to provide technology and internet access for students.

The increase in online learning has prompted states to revisit their student count policies to better account for remote and virtual learning. States enacted legislation in 2021 that permit districts and charters to offer online instruction and set parameters on how online instruction impacts student counts and funding. These parameters include limiting the amount of remote instruction a student can receive, the percentage of students that can be enrolled in a district's virtual program and the amount of funds awarded per student.

Arizona (H.B. 2862) permits districts and charter schools to satisfy the state instructional time requirements, which are used to calculate average membership, with a combination of in-person instruction and remote instruction. The legislation caps the portion of remote instruction at 50% for the 2021-22 school year and 40% thereafter. Since Arizona uses a membership average to allocate funds, the legislation means that districts and charters offering remote instruction to students below the cap will not be financially penalized for doing so.

Indiana (H.B. 1001) directs the Indiana Department of Education to review student attendance for the purpose of classifying students as either in-person or virtual for their spring and fall membership counts. Students are classified as virtual if they receive at least 50% of instructional services virtually. This distinction is important, because virtual students receive 85% of the foundation amount that in-person students receive. Indiana (S.B. 2) enacted temporary measures to exempt students who are not currently enrolled in a virtual charter or were not classified as virtual students pre-pandemic from receiving the reduced foundation amounts.

North Dakota (S.B. 1232) permits school districts and governing boards of nonpublic schools to adopt a policy to allow students to engage in virtual instruction and continue to qualify for the average daily membership count, which is used by the state to allocate funds.

Texas (S.B. 15) allows school districts and charters schools that receive a C or higher on the state's accountability rating to establish their own remote learning program independent from the Texas Virtual School Network. Students in the remote learning program are counted the same as other students in determining average daily attendance. The state limits participation to 10% of the total district or charter enrollment.

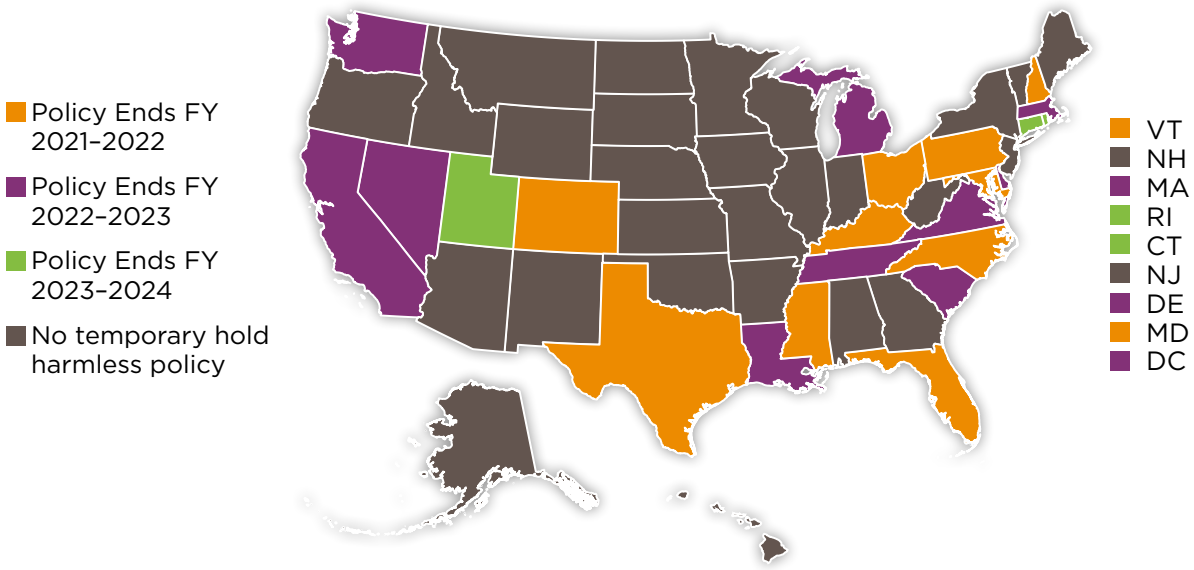
While the pandemic has created a temporary boom in online instruction, initial findings indicate continued interest in remote instruction. Virtual programs continue to see annual enrollment growth. As state policymakers look to the future of student count and fund allocation policies, it will be critical to take the structural differences inherent in virtual instructional models into consideration.

Hold Harmless Policies

Last year, Education Commission of the States found that hold harmless policies were a common state response to the disruptions in traditional student count methods caused by the COVID-19 pandemic. These policies typically allow districts to use their prior year, pre-pandemic enrollment or attendance numbers to receive the same amount of funding for the current year. Hold harmless policies limit revenue declines for school districts that would otherwise lose funding because of enrollment declines or changes in tax revenue. Alternatively, hold harmless policies may cap total revenue declines to a specified percentage or dollar figure.

Throughout 2021, states continued to enact or extend hold harmless policies. A review of state statutes, enacted legislation, executive orders, and state education agency directives identified 22 states that enacted temporary hold harmless policies because of the COVID-19 pandemic. While most states' hold harmless policies will end after fiscal year 2021-22, a few states will continue to hold districts harmless through fiscal years 2023-24.

Temporary Hold Harmless Policies



Other states enacted permanent hold harmless policies prior to the COVID-19 pandemic. **Maine** and **Vermont** enacted permanent hold harmless policies in 2021. States may enact permanent hold harmless policies to provide financial assistance to many schools experiencing enrollment declines or to ensure districts receive a new base amount of funding before the state transitions to a new funding formula.

The most notable benefit of temporary hold harmless policies was to help schools avoid drastic budget cuts driven by sharp and unexpected enrollment or attendance declines, particularly as schools and districts worked to respond to increased student needs because of pandemic disruptions. However, while temporary hold harmless policies buoyed districts' finances, researchers warned state leaders of potential drawbacks as the policies expire — or if they are left in place too long. First, many districts may face a fiscal cliff because of declining enrollment coupled with the end of federal relief, forcing schools to make painful budget cuts in coming years. Second, some argue the dollars used to hold districts financially harmless may be more impactful if used for a specific purpose rather than generalized stability. In addition, as states enact new, more equitable school funding formulas, hold harmless policies may temporarily maintain inequitable funding by delaying a state's transition.

Policymakers can also consider the incentives that hold harmless policies create. Some question whether the policy removes incentives to increase student attendance, as districts do not lose money if attendance falls. Similarly, research shows that, even without hold harmless provisions, districts typically wait too long to make structural changes to their budgets when faced with enrollment declines. States temporarily holding districts harmless may unintentionally exacerbate existing delays to necessary structural changes to district budgets.

Student Enrollment Growth

Although many schools can expect to educate fewer students in the future than before the pandemic, some schools will have to grapple with the opposite issue: increased student enrollment. For example, during the COVID-19 pandemic, many parents decided to delay preschool and kindergarten enrollments, or to enroll students in public charter schools. Researchers argue that some portion of these students will re-enroll in public schools in the coming years.

Certain states and districts also anticipate growing student populations as a result of continuing demographic trends. According to the 2020 census, western and southern states experienced faster population growth than midwestern and northeastern states, with most of the growth concentrated in suburban and urban areas. Rural and exurban

areas in all states comparatively lost population. While 34 states provide increased funding for small and isolated school districts in rural areas, policymakers may want to consider growing resource needs in many suburban and urban school districts.

During the 2021 legislative sessions, a few states enacted policies to provide supplemental funding to districts experiencing or anticipating enrollment increases:

Alabama (S.B. 9) provides additional funds for districts experiencing student growth based on net year-over-year average daily membership growth in the two years previous to fiscal year 2022. The new growth allowance will be funded at 100% of the amount allocated to districts under the previous current-units allotment for nonvirtual students. Funding for growth of full-time virtual student enrollment will be based on the average cost to educate a full-time virtual student.

Montana (H.B. 33) allows districts to anticipate enrollment increases by notifying the Office of Public Instruction before June 1 of the year before the budget year. The anticipated enrollment increases the district's budget limits, alongside state and local funding levels. If the actual enrollment based on the fall count is lower than the anticipated enrollment used to determine the budgeted average number of belonging students, the Office of Public Instruction will recalculate the district's budget.

Utah (S.B. 1) creates the Enrollment Growth Contingency Program for fiscal years 2021 and 2022. This program creates a hold harmless provision for 2021. For fiscal year 2022, it requires the state to assign local education agencies experiencing a net growth in students more than the previous year with additional weighted pupil units before the enrollment count. Additionally, local education agencies may request the state to pre-fund higher-than-anticipated student enrollment growth before the enrollment count for districts that had a significant decline in student enrollment during the 2020-21 academic year.

West Virginia (H.B. 2852) authorizes the state to provide advanced payments at the districts' request of up to 60% of the school districts' estimated share of aid based on projected enrollment increases. It requires districts to refund state aid if that aid is more than what is required for actual enrollment growth.

Students From Low-Income Backgrounds

For decades, the measure for identifying and counting students facing economic barriers has been through student participation in free or reduced-price meals. States have consistently depended on free or reduced-price meal data to allocate resources and design accountability systems to support this student population. However, as the growth of free meal programs lead to fewer and fewer schools collecting this data, the measure has become increasingly obsolete, forcing states to explore alternatives.

The transition away from free and reduced-priced meals started with the Healthy, Hunger-Free Kids Act of 2010. The act created the Community Eligibility Provision (CEP), which allows eligible districts or schools to receive full or partial federal reimbursement to offer all students free meals. Though the program expanded access to free meals, participating districts and schools no longer collected free or reduced-price lunch data, removing a key measure from state allocation calculations.

Recent increases in universal free meal programs will further reduce the availability of this data. In response to COVID-19, the U.S. Department of Agriculture approved waivers for the 2020-21 and 2021-22 school years to reimburse all student meals regardless of family income — temporarily making free school meals universal. States have also started to approve their own universal free meal programs. **California**'s state budget requires districts to provide free meals for all students starting in the 2022-23 school year and provides state funds to reimburse some of the costs; the **California** Legislature is currently considering the Free School Meals For All Act to make this change permanent. Similarly, **Maine**'s budget expands free meals for all students once the federal waivers expire.

States had started to transition to new measures of student poverty since the passage of CEP, and the increased interest in universal free meals will further necessitate this transition. The most common alternative to the free and reduced-price lunch measure is direct certification in federal benefit programs, such as the Supplemental Nutrition Assistance Program and Temporary Assistance for Needy Families. Though these programs capture much of the same population as the free and reduced-price lunch programs, different eligibility requirements mean that some students — such as those from families who are not citizens — who were previously counted are now excluded.

States have taken action to create more robust measures of the needs of students from low-income backgrounds:

Maryland (Md. Code Ann., Educ. § 5-222) uses both direct certification and a supplemental income form provided to families to determine the number of students from low-income backgrounds in CEP participating schools.

Oregon (Or. Rev. Stat. Ann. § 327.013) has opted not to use free or reduced-price lunch or direct certification, and instead uses childhood poverty data that is published annually by the U.S. Census Bureau.

Washington uses a state-developed family income survey offered in multiple languages every year to determine the number of students from low-income backgrounds in CEP schools.

Final Thoughts

Student count policies are a vital component of every state's school funding model. States use attendance or enrollment counts to determine the overall amount of funding each school district receives annually. As state policymakers evaluate their funding mechanisms, they can consider the advantages and disadvantages associated with each of the existing student count policies, particularly with respect to equitable access to educational resources.

In addition, the COVID-19 pandemic and ongoing shifts in student demographics have created further challenges for traditional student count policies. Widespread adoption of online learning and a general decline in public school enrollment led states to enact methods to count virtual student attendance and hold harmless policies to prevent drastic decreases in school funding. Long-term trends, such as growing urban and suburban school districts and shifting methodologies to define and track students from low-income backgrounds, can prompt states to consider how they can make better use of student count policies to allocate resources. Finally, the examples discussed in this brief highlight the benefit of continuing to revisit student count policies as programs, funding models and external conditions change.

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