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## FISCAL REPORT

PUBLIC EDUCATION'S POINT OF REFERENCE FOR MAKING EDUCATED DECISIONS

### Confirmation of Governor's ADA Proposal

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A significant pain point for many school districts across the state has been declining enrollment, and the resulting declining average daily attendance (ADA). While the state has experienced a decline in enrollment, the rate of the decline was accelerated significantly in 2020-21 when the K-12 population decreased from 6.2 million to 6 million—a single year decline of more than 160,000 students. To put that decline in context, the preceding years' decline averaged about 22,000 students per year.

Included in the 2021 Budget Act, Governor Gavin Newsom and the Legislature provided an augmented hold harmless on ADA which benefited charter schools and county offices of education (COEs) experiencing a decline in ADA in 2020-21, and school districts experiencing a decline in ADA in 2021-22. Looming in the 2022-23 fiscal year is the ADA cliff which is a result of the expiring hold harmless provision. As a result of strong advocacy, Governor Newsom included a proposal to change the way funded ADA is determined, and the details of the proposal were included in the recently released trailer bill language.

Current law, codified in Education Code Section 42238.05(a)(1), allows a school district to use the greater of the current- or prior-year ADA when calculating their Local Control Funding Formula entitlement. The Governor is proposing to add a third option which would allow school districts to also consider the computed average of the prior three years' ADA. In each of these instances the actual ADA is used, not the funded ADA for each year. Below is a hypothetical scenario:

Fiscal Year	Actual ADA
2019-20	10,000
2020-21	10,000*
2021-22	9,500
2022-23	9,250

Funded ADA for 2022-23	
Current Law	9,500
Governor's Proposal	9,833
Difference	333

Under current law the school district's funded ADA for 2022-23 would be 9,500 (greater of 2021-22 or 2022-23), but if the Governor's State Budget proposal is enacted, the funded ADA for 2022-23 would be 9,833 (average of the prior three years). The Governor was explicit that this proposal as it is currently written would only benefit school districts, not charter schools or COEs. He did signal in the "A" pages of the State Budget proposal that his Administration is willing to engage in a conversation to provide relief for charter schools.

It will be interesting to watch how this plays out as the Governor's State Budget proposal is not the only option on the table. There are several competing proposals that School Services of California Inc. have discussed (see "[2021-22 Second Interim Report Considerations](#)" in the January 2022 *Fiscal Report*). As more details become available, we will pass them along.