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# Changing Enrollment, Fiscal Strain, and Facilities Challenges in California's Urban Schools



Alex Spurrier

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## Executive Summary

Several of California's largest districts are grappling with fiscal strain driven in part by decreasing enrollment. At the same time, charter schools in these communities, which include Fresno, Los Angeles, Oakland, Sacramento, San Diego, and San Francisco, have experienced significant growth. In some cases, district leaders may blame charter schools for the districts' declining enrollment: If charters weren't growing, districts would not be facing the fiscal challenges before them.

To be sure, with funding for schools predicated in large part on student enrollment, enrollment decline for any reason does drive funding decreases for schools, and the fiscal pressures districts are facing are real. However, growth in charter enrollment equates to less than half of the enrollment decline in these large urban districts.

Addressing California districts' fiscal woes by limiting charters not only won't affect the fiscal impact of enrollment decline in many places, it would deprive families and students of options for public schools that meet their needs. Policymakers should instead focus on policies that foster win-win solutions for all public schools, ultimately benefiting all the students and families they serve.

Policymakers need an accurate understanding of the drivers of fiscal challenges in districts with declining enrollment to avoid inadequate solutions that fail to address core issues and potentially limit families' access to high-quality public education options in many communities. Instead, the focus should be on developing policies that don't pit districts and charters against one another, fostering collaboration so that quality schools of all types benefit as well as the families they serve.

Facilities policy offers one example where collaboration across school types can create mutual benefit. When districts experience declining enrollment, the cost per student for fixed costs like building maintenance increases. While reducing the size of a district's facilities portfolio can reduce those costs, simply selling off unused or underused buildings is not always a viable or even a desirable option.

Districts aren't the only ones struggling with facilities challenges. Charter schools often face difficulty in securing adequate facilities, because they lack access to funding and to options for affordable, well-located, and appropriate instructional space. In communities where districts have excess capacity and charters are in need of space, better collaboration would solve both issues. California has policies in place to enable such collaboration, but they don't work as well as they could.

Currently, California law requires districts to make reasonable accommodations for charter schools that serve a minimum number of students who would otherwise attend district schools in district facilities.<sup>i</sup> Up until July 2016, statute also required districts intending to sell or lease district facilities to allow eligible charters first right of refusal to enter into a purchase or lease agreement for the space.<sup>ii</sup>

Although these policies have made it possible for districts and charters to collaborate to provide instructional space for public school students, they could be improved.

Policyholders can foster better use of public buildings by:

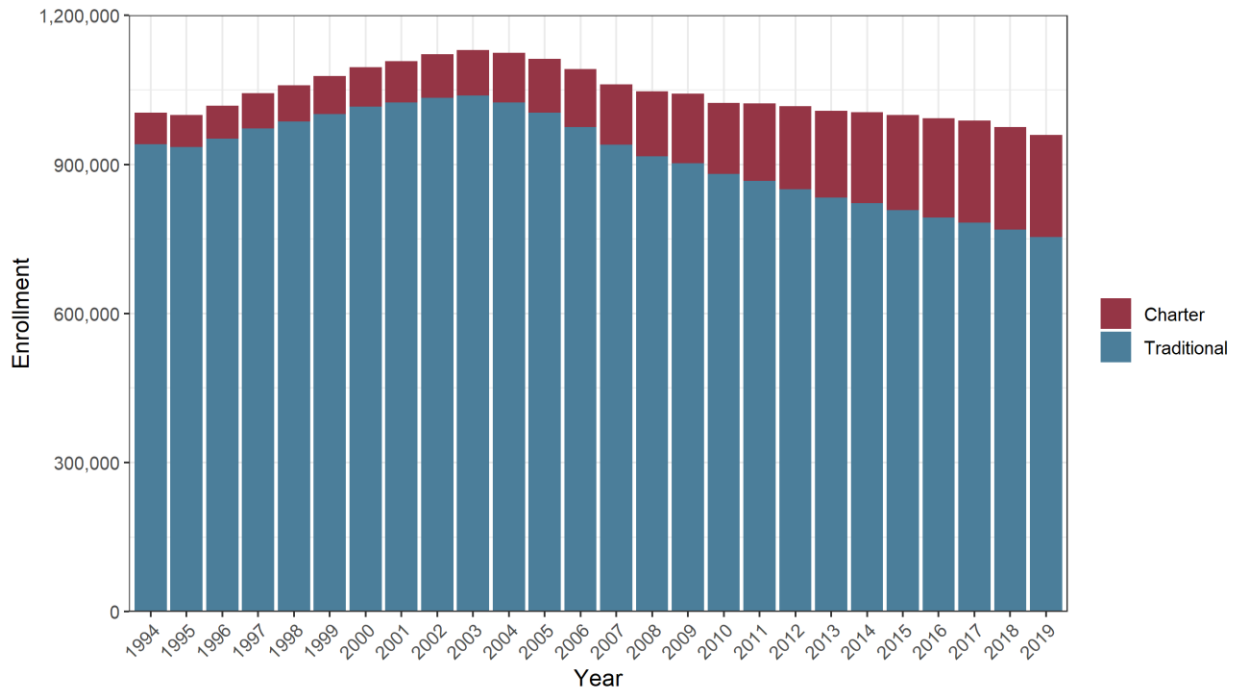
- **Increasing data transparency on facilities usage:** Provide data on existing school building capacity, use, and needs in order to ensure that policymakers and district and charter leaders understand how publicly owned facilities are being used and can identify opportunities for collaboration.
- **Improving facilities stability for charters leasing district space through more favorable lease terms:** Establish a minimum lease term or provide financial incentives to districts to establish a minimum lease term of the lesser of five years or the term remaining in the charter school's current authorization, as long as the charter remains in good standing with the authorizing entity. Charter operators should receive a year's notice if a district does not intend to renew the lease.
- **Restoring "first right of refusal" for charters:** Renew the provision in California statute to allow charter schools the first opportunity to purchase or lease district surplus property.

### What is driving enrollment trends in California's largest urban districts?

Statewide K-12 public school enrollment in California has been relatively stable for the better part of two decades, with total enrollment in traditional school districts and charter schools at about 6 million students.<sup>iii</sup> However, in contrast with statewide trends, many of the state's large, urban school districts have experienced an overall decline in student population in the past 15 years. At the same time, enrollment in their cities' charter schools continues to grow. The juxtaposition of declining district enrollment simultaneous with growth in charter school enrollment has led to a discussion of whether or not charter schools are "costing" districts, in part by driving a large share of enrollment declines when families choose charter schools over district options.

#### **Figure 1. Enrollment in California Urban Schools, 1994 to 2019**

Includes Los Angeles Unified, San Diego Unified, Fresno Unified, San Francisco Unified, Oakland Unified, and Sacramento Unified.



Source: California Department of Education

As shown in Figure 1, across six urban districts in California (selected for their size and high percentage of charter school enrollment), combined enrollment (traditional district schools plus charter schools) in these districts reached a peak of just over a million students in the 2002-03 school year. Since then, their combined enrollment has declined by 284,864 students, or 27 percent. At the same time, enrollment in charter schools in these districts grew by 113,615 students, or 123 percent. Although strong, charter growth equates to just two out of every five students who left these districts over the last 15 years.

These dynamics vary by district. Figure 2 below illustrates enrollment trends for several urban districts in California where charter markets are growing, corresponding trends in charter enrollments, and the relationship between the two. While these data may not provide a one-to-one representation of students leaving or foregoing enrollment in the district to enroll in a local charter school, it is clear that charter enrollment growth often equates to less than the majority of the enrollment loss experienced by the districts in which they are located, in some cases far less.

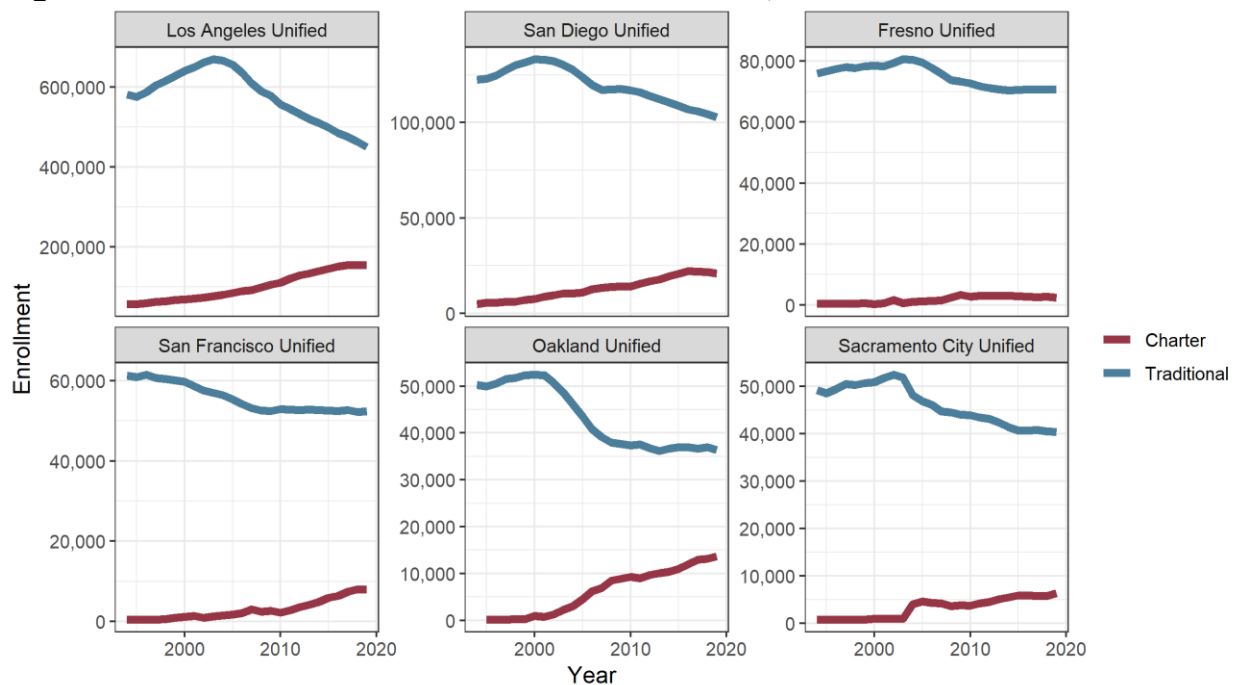
In Los Angeles Unified School District (LAUSD), student enrollment grew to a high of 669,869 students in the 2002-03 school year. Since then, LAUSD enrollment has dropped by 219,006 students. While charter schools in Los Angeles did grow from 2002-03 through 2018-19, they only added 77,652 students — equal to about a third of LAUSD’s enrollment decline. San Francisco and Oakland are the exceptions to this trend. In these Bay Area districts, charter enrollment growth equaled three-quarters or more of district enrollment losses.

**Figure 2. Student Enrollment Trends in Select California District and Charter Schools**

District	Year of Peak Enrollment, since 1993-94	Peak Year Enrollment	Current Enrollment (2018-19)	Enrollment Change from Peak	Charter Enrollment Change, Peak Year to 2018-19	Charter Enrollment Growth as % of District Enrollment Decline
Los Angeles Unified	2002-03	669,869	450,683	-219,006	+77,652	35.5%
San Diego Unified	1999-2000	133,152	102,884	-30,268	+13,320	44%
Fresno Unified	2002-03	80,591	70,723	-9,868	+1,869	18.9%
San Francisco Unified	1995-96	61,474	52,387	-9,087	+7,588	83.5%
Oakland Unified	1999-2000	53,372	36,373	-16,999	+12,745	75%
Sacramento City Unified	2001-02	52,430	40,508	-12,080	+5,307	43.9%
District Totals	2002-03	1,038,444	753,580	-284,864	+113,615	39.9%

Source: California Department of Education — refer to Appendix for methodology.

**Figure 3. Enrollment in California’s Urban Schools, 1994 to 2019**



Source: California Department of Education — refer to Appendix for methodology.

The enrollment trends of the past decade have several critical implications for school facilities policy. But data on how district facilities are being used are sorely lacking.

Declining district enrollment does not necessarily translate to capacity that can be easily and efficiently allocated to charter schools. For one, some districts used portable classrooms during peak enrollment years to compensate for permanent facilities that were inadequate to handle periods of high growth. In those cases, declining enrollment might not yield one-to-one free capacity in permanent facilities. In addition, capacity created by declining enrollment may not be distributed across schools in ways that create vacant classrooms, floors, or buildings. So, while most of these school districts likely possess significant excess classroom capacity, the lack of publicly available data on building capacity and enrollment prevents a clear understanding of how districts are utilizing their facilities. Better data on school facilities can help policymakers establish a transparent and orderly process to allocate space in public buildings for public school students attending both district and charter schools.

## California School Facilities Policy

Understanding how stronger collaboration on facilities could potentially benefit schools of all types, and most importantly, public school students, requires understanding current school facilities policy — of which funding is a major component.

In California, facilities costs are shared between the state and school districts. The state provides its share through the School Facility Program (SFP). The SFP comprises several programs that fund capital projects and other costs including new construction, modernization, career and technical education facilities, critically overcrowded schools, charter school facilities, and a handful of other targeted programs. State funding under the SFP is provided through voter-approved state facilities bonds.<sup>iv</sup> Funding from bonds approved between 1998 and 2006 was exhausted in 2012, and while \$7 billion in new bonds were approved in 2016,<sup>v</sup> less than 20 percent of those funds were allocated by August 2018. Currently, more than \$3.5 billion worth of school construction projects are waiting for funding.<sup>vi</sup>

School districts pay their share of the cost of local facilities capital projects through local general obligation bond levies. Ongoing maintenance costs are typically funded from general operating funds. Unlike school districts, which can access bond markets to build schools that the district then owns and operates, charter schools lack access to local revenue and, as a result, are primarily dependent on state funding to address their facilities needs.<sup>vii</sup>

There are four key mechanisms that support charter schools in accessing facilities and facilities financing:<sup>viii</sup>

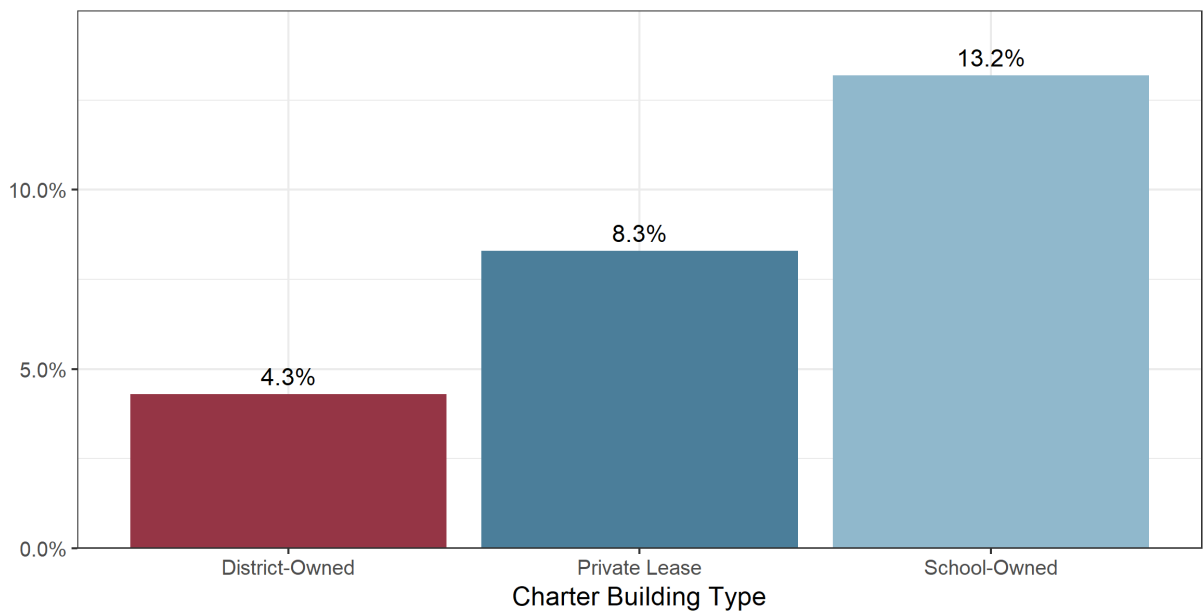
- California's Proposition 39 (2000) allows eligible charter schools to access space for in-district students who would otherwise attend district schools.
- The state's Charter Schools Facilities Program<sup>ix</sup> and Charter School Facility Grant Program<sup>x</sup> help charter schools build new facilities or upgrade district-owned buildings.

- The Charter School Revolving Loan Fund provides start-up charter schools with low-interest loans that can help in the initial acquisition of school facilities.<sup>xi</sup>
- The California School Finance Authority serves as a conduit for charter schools to access capital markets and federal bond programs.

These state programs have helped charter schools access approximately \$4,900 per pupil in facilities funding from 2002 to 2017. However, in comparison, school districts received approximately \$6,100 in facilities funding per pupil during that same period.<sup>xii</sup> With less access to state facilities funding, charter schools often spend significant portions of their operating funding on facilities needs.

Analyses of charter school finances show that charter schools' facility arrangements can have a significant impact on a school's budget. Figure 4 provides data from the National Charter School Resource Center, which found that charter schools with access to district facilities pay significantly less than charters leasing or owning their own buildings, allowing them to retain more dollars for other priorities.<sup>xiii</sup>

**Figure 4. Percent of California Charter Revenue Spent on Facilities by Building Type**



In an environment of constrained state budgets, helping charter schools access lower-cost facilities from school districts can address two problems at once. First, charter schools can access less costly facilities than may be possible in the open market, allowing them to retain more operating funding for instruction and supports for the students they serve. Second, school districts can generate funding through lease agreements to offset the cost of maintaining spaces that charter schools use, allowing

publicly owned school buildings to continue to serve the needs of public school students and covering the prorated cost of their use.

### Fulfilling the Promise of Proposition 39

California law allows for and regulates district-charter lease arrangements for shared space, but the state could strengthen implementation to make these types of collaborations easier and more attractive.

In 2000, California voters approved Proposition 39, a ballot initiative aimed at helping both districts and charter schools access and improve school facilities. First, Proposition 39 lowered the required threshold for passage of a local bond approval election from 66 percent to 55 percent, making it easier for school districts to gain voter approval for new school facilities projects.

Proposition 39 has been very effective in helping school districts pass bond referenda — the approval rate for district General Obligation bonds with the new 55 percent threshold has increased to 84 percent, compared to 55 percent approval for bonds under the prior 66 percent threshold.<sup>xiv</sup>

Proposition 39 also established that charter schools should have fair access to existing public school facilities in California.<sup>xv</sup> According to the California Charter Schools Association:

*Proposition 39 (Prop. 39) was written to ensure that all public school students share equally in the buildings constructed with state facilities dollars. The bargain made when Prop. 39 was passed by California voters in 2000 was to reduce the threshold for the state or a local school district to pass a facilities bond from two-thirds to fifty-five percent, a considerably easier standard to meet. In exchange, charter school students were to be given equal access to the facilities constructed with state and local bond funds, if charters are able to meet certain eligibility requirements.<sup>xvi</sup>*

Charter schools accessing school district facilities under Proposition 39 compensate districts in two ways:<sup>xvii</sup>

- A pro rata fee based on the district's facilities costs. This amount is calculated by dividing the space a charter school uses by the district's total space, then multiplying by this district's general fund facilities costs, essentially allowing the district to recover the cost of maintaining the leased space.
- An oversight fee of up to 3 percent of a charter school's revenue if the pro rata fee is not charged. The oversight fee is limited to 1 percent if a pro rata share is charged.<sup>xviii</sup>



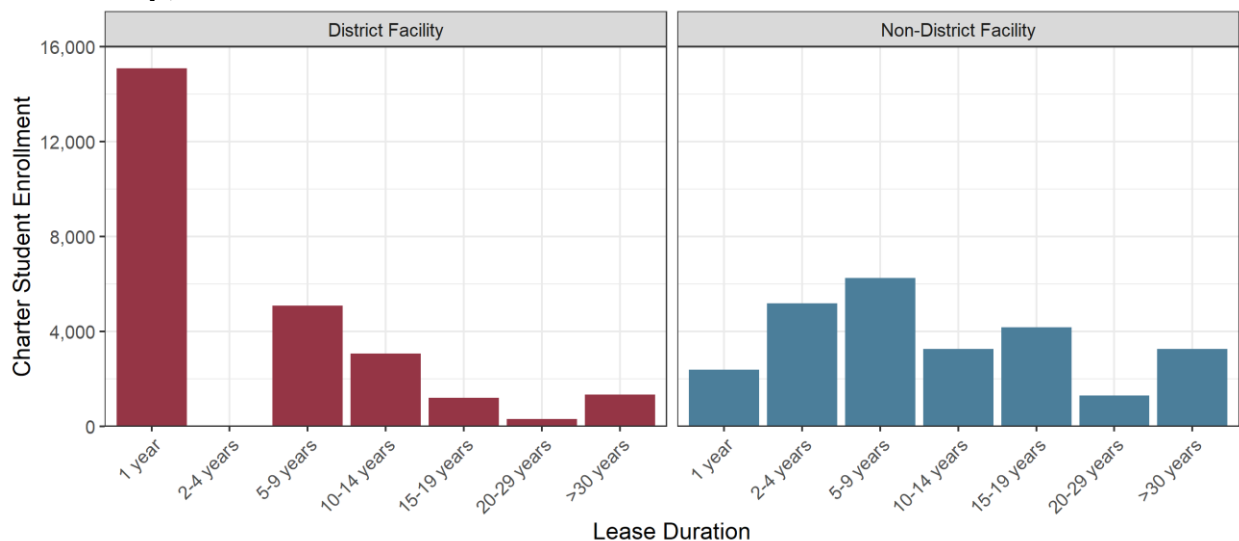
While some charter schools have benefited from access to district-owned facilities following the passage of Proposition 39, the program falls short on its intent to provide “reasonably equivalent” facilities access to charter schools in two ways:

1. There is little publicly available information on school districts’ facilities use. This makes it difficult for charter operators to assess the feasibility of requesting access to district facilities. It also prevents policymakers from fairly assessing the extent to which districts are providing “reasonably equivalent” access.
2. Proposition 39 agreements are often year-by-year, providing little certainty to charter operators. Districts are under no obligation to offer multiyear lease agreements to charter operators, and in many cases, Proposition 39 agreements must be renegotiated on an annual basis.

In the face of these obstacles, many charter operators opt to lease space from third parties. While leasing in the private market often allows charter schools to have longer lease terms, it also frequently means they pay higher rent compared to the cost of renting space in a district facility, tapping already constrained budgets and diverting funds from other priorities.

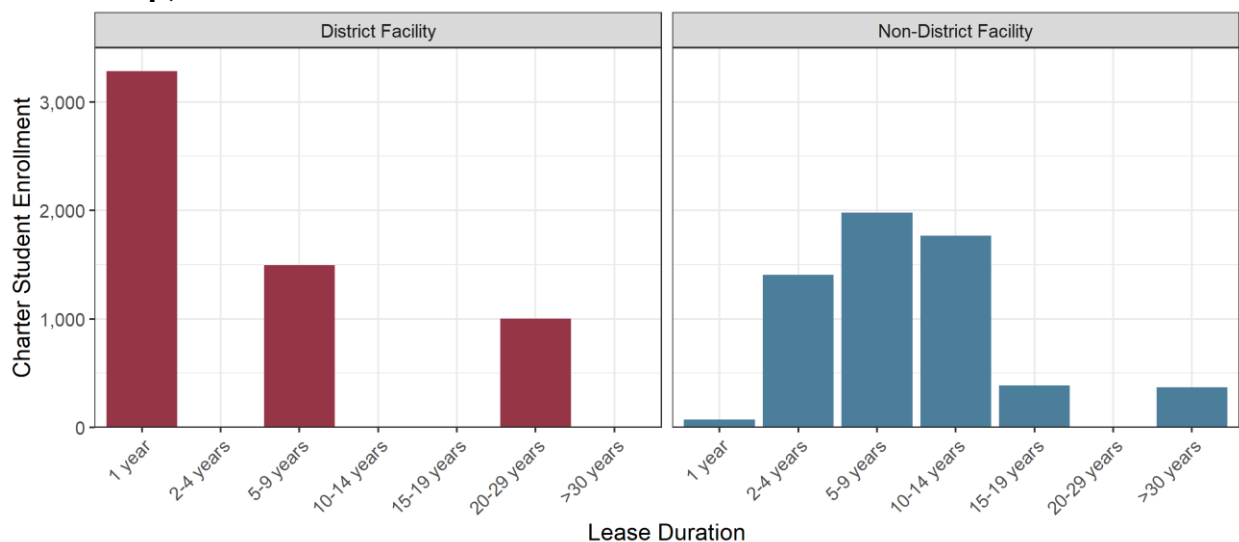
In some cases, charter schools have opted to trade medium-term facilities stability for the savings that district-owned space offers. For example, in Los Angeles and Oakland, a large number of charter school students are educated in district-owned buildings with single-year leases (Figures 5 and 6).

**Figure 5. Los Angeles Unified Charter Enrollment by Lease Duration and Facility Ownership, 2018-19**



Source: California Charter Schools Association

**Figure 6. Oakland Unified Charter Enrollment by Lease Duration and Facility Ownership, 2018-19**



Source: California Charter Schools Association

Single-year leases create administrative burdens for charter and district staff, who must renegotiate lease agreements annually. They also provide little stability for charter school operators, who face the risk of needing to uproot operations and move a school entirely, straining schools and the families they serve.

Implementation challenges have even led to litigation in Los Angeles, where the California Charter School Association (CCSA) successfully sued the Los Angeles Unified School District for failing to provide adequate access to facilities under Proposition 39.<sup>xix</sup>

Policymakers can take steps to ensure that Proposition 39 achieves its goal of providing charter schools with equitable access to public school facilities:

- **Increase data transparency on facilities usage:** Require school districts to publish and annually update a full accounting of their building portfolio, including information on designed student capacity, current pupil occupancy, and general building use information.
- **Improve facilities stability for charters leasing district space through more favorable lease terms:** Establish a minimum lease term or provide financial incentives to districts to establish a minimum lease term of the lesser of the five-year charter term or the term remaining in the charter school’s current authorization, as long as the charter remains in good standing with the authorizing entity. Additionally, charter operators should receive a year’s notice if a district does not intend to renew the lease due to shifts in enrollment trends or other factors, with reasonable accommodations for exigencies on the part of the district.

- **Restoring “first right of refusal” for charters:** Renew the provision in California statute to allow charter schools the first opportunity to purchase or lease district surplus property.

These changes can help districts with excess facilities and charters in need of space to make better use of public facilities without major additional investment from the state and provide a solution to fiscal challenges that would benefit both districts and charters.

## Conclusion

The enrollment and fiscal pressure on several of California’s largest districts is real and warrants serious attention from policymakers. At the same time, it is important to understand the real drivers of enrollment changes in order to inform policy solutions. Critics of charter schools blame growth in charter enrollment for districts’ fiscal challenges, but that is at best an incomplete story. Even in many districts with rapidly growing charter sectors, the bulk of enrollment decline cannot be reasonably attributed to charters. Policy responses that seek to limit the viability of charter schools that provide families with attractive options for their children’s education fail to address the real issues. Instead policymakers should aim for policy responses that support all public schools and the students and families they serve.

One example of a mutually beneficial policy response is strengthening school facilities policies to encourage or even incentivize collaborative agreements between districts that must maintain underused buildings and charter schools that often struggle to access affordable, appropriate instructional space.

Addressing school facilities policies in these districts may be a small step in the right direction in the face of other fiscal pressures caused by factors such as broader enrollment trends and rising employee benefit costs. But rather than focusing on pitting public schools against one another, policymakers can create win-win solutions that support schools of all types in meeting their mission of providing high-quality educational experiences for California students.

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## About the Author

Alex Spurrier is a senior analyst with the policy and evaluation team at Bellwether Education Partners. He can be reached at [alex.spurrier@bellwethereducation.org](mailto:alex.spurrier@bellwethereducation.org)

## About Bellwether

Bellwether Education Partners is a national nonprofit focused on dramatically changing education and life outcomes for underserved children. We do this by helping education organizations accelerate their impact and by working to improve policy and practice. Bellwether envisions a world in which race, ethnicity, and income no longer predict opportunities for students, and the American education system affords all individuals the ability to determine their own path and lead a productive and fulfilling life. Our work focuses on five service areas:

1. Policy analysis and research
2. Strategy and growth planning
3. Organizational effectiveness and efficiency
4. Implementation support
5. Educational program evaluation

We believe that the only way to ensure all children have access to a high-quality education is to take a holistic approach by changing field-level policies and perceptions while strengthening and supporting individual organizations. Since many of the challenges organizations face are complex, they require multiple perspectives and areas of expertise. Through our integrated offerings, we provide comprehensive, coherent, and lasting solutions to education's most long-standing and complicated problems.

## Appendix A: Enrollment Trend Methodology

Public school enrollment data from 1993-94 through 2018-19 were obtained from the [California Department of Education website](#), as were the [Public Schools and Districts Data Files](#).

Enrollment data files were cleaned to include the following data fields:

- CDS Code
- County
- District Name
- School Name
- Enrollment Total (calculated by grouping by CDS code and summing the “ENR\_TOTAL” column)

The Public Schools and Districts Data Files were used to match charter status with enrollment data by matching on CDS code. A small number of schools did not have a match and were hard-coded as charter schools after further inquiry into their status. Additionally, records that contained “Nonpublic” in the school name were excluded from the analysis.

Enrollment trends by school type were then conducted by summing the enrollment for each school type within six selected districts:

- Los Angeles Unified
- San Diego Unified
- Fresno Unified
- San Francisco Unified
- Oakland Unified
- Sacramento City Unified

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- <sup>i</sup> California Education Code, Title 2, “Elementary and Secondary Education,” Chapter 3, “Charter School Operation,” amended November 7, 2000, [http://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=EDC&sectionNum=47614](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=47614).
- <sup>ii</sup> California Education Code, Title 1, “General Education Code Provisions,” Article 4, “Sale or Lease of Real Property,” July 1, 2013, [http://leginfo.legislature.ca.gov/faces/codes\\_displaySection.xhtml?lawCode=EDC&sectionNum=17457.5](http://leginfo.legislature.ca.gov/faces/codes_displaySection.xhtml?lawCode=EDC&sectionNum=17457.5).
- <sup>iii</sup> Sarah Reber and Demetra Kalogrides, “Setting the Stage: Trends in Student Demographics and Enrollment in California,” *Getting Down to Facts II*, September 2018, [https://gettingdowntofacts.com/sites/default/files/2018-09/GDTFII\\_Report\\_Reber-Kalogrides.pdf](https://gettingdowntofacts.com/sites/default/files/2018-09/GDTFII_Report_Reber-Kalogrides.pdf).
- <sup>iv</sup> Mac Taylor, “The 2015-16 Budget: Rethinking How the State Funds School Facilities,” California Legislative Analyst’s Office, February 2015, <https://lao.ca.gov/reports/2015/budget/school-facilities/school-facilities-021715.pdf>.
- <sup>v</sup> “Update on State Funding for K-12 School Facilities,” California Legislative Analyst’s Office, May 3, 2018, <https://lao.ca.gov/Publications/Report/3821>.
- <sup>vi</sup> Jill Tucker, “As California Schools Wait for State Bond Money, Districts Fume at Sluggish Payouts,” *San Francisco Chronicle*, August 14, 2018, <https://www.sfchronicle.com/education/article/As-California-schools-wait-for-state-bond-money-13153902.php>.
- <sup>vii</sup> Some charter schools do have access to local bond funding, but these arrangements must be negotiated with school districts. See: Eric J. Brunner and Jeffrey M. Vincent, “Financing School Facilities in California: A Ten-Year Perspective,” *Getting Down to Facts II*, September 2018, [https://www.gettingdowntofacts.com/sites/default/files/2018-09/GDTFII\\_Report\\_Brunner-Vincent.pdf](https://www.gettingdowntofacts.com/sites/default/files/2018-09/GDTFII_Report_Brunner-Vincent.pdf).
- <sup>viii</sup> Ibid.
- <sup>ix</sup> “Charter School Facilities Program Overview,” California State Treasurer, <https://www.treasurer.ca.gov/csfa/charter.asp>.
- <sup>x</sup> “SB 740 Charter School Facility Grants and Funding Determinations,” California Charter Schools Association, <http://library.ccsa.org/2012/08/sb-740-charter-school-facility-grants-and-funding-determinations.html>.
- <sup>xi</sup> “Charter School Revolving Loan Fund Program: CSRLF Overview,” California State Treasurer, <https://www.treasurer.ca.gov/csfa/csrlf/index.asp>.
- <sup>xii</sup> Brunner and Vincent, “Financing School Facilities in California: A Ten-Year Perspective,” [https://www.gettingdowntofacts.com/sites/default/files/2018-09/GDTFII\\_Report\\_Brunner-Vincent.pdf](https://www.gettingdowntofacts.com/sites/default/files/2018-09/GDTFII_Report_Brunner-Vincent.pdf).
- <sup>xiii</sup> “An Analysis of The Charter School Facility Landscape in California,” National Charter School Resource Center at Safal Partners, April 2015, [https://charterschoolcenter.ed.gov/sites/default/files/files/field\\_publication\\_attachment/NCSRC%20Charter%20School%20Facility%20Landscape%20in%20California.pdf](https://charterschoolcenter.ed.gov/sites/default/files/files/field_publication_attachment/NCSRC%20Charter%20School%20Facility%20Landscape%20in%20California.pdf).
- <sup>xiv</sup> “School District Bond and Tax Elections,” Education Data Partnership, April 24, 2018, <https://www.ed-data.org/article/School-District-Bond-and-Tax-Elections>.
- <sup>xv</sup> “Proposition 39 and Charter Schools,” California Department of Education, last reviewed April 12, 2019, <https://www.cde.ca.gov/sp/ch/proposition39.asp>.
- <sup>xvi</sup> “Facts about Proposition 39,” California Charter Schools Association, fall 2013, [http://library.ccsa.org/blog/FactSheet\\_Prop\\_39.pdf](http://library.ccsa.org/blog/FactSheet_Prop_39.pdf).
- <sup>xvii</sup> “Proposition 39 and Charter Schools,” California Department of Education, last reviewed April 12, 2019, <https://www.cde.ca.gov/sp/ch/proposition39.asp>.
- <sup>xviii</sup> Sarah Kollman & Paul C. Minney, and Anne Lee, “Acquiring Facilities under Prop. 39,” Law Offices of Middleton, Young & Minney LLP and California Charter Schools Association, 2010, [http://library.ccsa.org/Prop\\_39\\_workshop\\_2010.pdf](http://library.ccsa.org/Prop_39_workshop_2010.pdf).
- <sup>xix</sup> “Case Overview: California Supreme Court Finds LAUSD Violated Proposition 39,” California Charter Schools Association, <http://library.ccsa.org/2013/06/ccsa-v-los-angeles-unified-school-district-et-al.html>.