The Dilemma of Decline.

This paper, one of two related documents, examines the impact of declining enrollments on educational expenditures. It highlights population and social changes that have contributed to the decline and discusses the general financing of schools. Finally, the paper discusses strategies state policymakers can use to manage decline, including forecasting enrollment trends, providing technical assistance and specialized services, altering staffing policies, and building public relations. (Author/LD)
The Dilemma of Decline*

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From 1969 to 1979, elementary schools lost approximately 4.4 million students. As of 1976 this loss of elementary students began spreading into high schools, and will result in a loss of more than 3.5 million students by 1990. The demographic picture is bleak and raises fundamental policy questions for education decisionmakers. In this paper I briefly highlight the parameters of the population change and describe the expected and actual impact of declining enrollments on educational expenditures. The paper concludes with options that state level policy makers might want to consider in trying to manage decline.

Decline: A Surprise Whose Time Has Come

The loss of elementary students came as a surprise. As Table 1 illustrates the Census Bureau predicted in 1960 elementary and secondary school enrollments for 1980 and 1985 that were so far off the mark as to have one chance in one hundred thousand of occurring. By 1977 predictions for the same years were twenty percent lower than the Census Bureau's 1960 predictions. The changes in

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2 Ibid


* Speech given to the National Association of State Boards of Education, October, 1979.
Table 1  
1960 CENSUS BUREAU PROJECTIONS

<table>
<thead>
<tr>
<th>ELEMENTARY</th>
<th>1960 Estimate</th>
<th>1977 Estimates</th>
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<tbody>
<tr>
<td></td>
<td>HIGH</td>
<td>LOW</td>
</tr>
<tr>
<td>1980</td>
<td>46,079,000</td>
<td>37,405,000</td>
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<tr>
<td>1985</td>
<td>52,117,000</td>
<td>42,362,000</td>
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<table>
<thead>
<tr>
<th>HIGH SCHOOL</th>
<th>1980</th>
<th>1985</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>HIGH</td>
<td>LOW</td>
</tr>
<tr>
<td>1980</td>
<td>16,998,000</td>
<td>15,047,000</td>
</tr>
<tr>
<td>1985</td>
<td>19,583,000</td>
<td>15,569,000</td>
</tr>
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</table>

enrollment were a direct result of a declining birthrate. The last half of the fifties was the high point for births in the United States, when births plummeted from almost 4.2 million to a low of 3.1 million in 1975. Some of the social changes that helped to cause this drop in birthrate were not widely noted: increasing career aspirations for women, more liberal abortion laws, the high divorce rate, increased use of contraception, changes in employment practices, to name a few. The number of women working increased dramatically. Thirty-seven percent of the women sixteen years old and older worked in 1960. By 1977, this figure rose to 46 percent. The postponement of marriage also depressed the birth rate. At the beginning of the sixties, 28 percent of single women ages 20 to 24 were unmarried; by 1973 that figure had jumped 10 percent.

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7 Ibid

On the basis of such factors demographers have predicted what the birth rate is likely to be until the year 2000. Currently the most popular assumption is that the completed family size of young women now of reproductive age and those who will bear children in the future will average approximately 2 children. If this estimate is accurate, the enrollment declines that began at the elementary and secondary level in 1969 will continue until 1982. The trend, however, may be reversed in the mid eighties if women in the baby boom cohort who have postponed childbearing until their 30's begin having families. So far scant evidence exists that this is happening, since births, which have been increasing one percent a year, on average between 1973 and 1978, seem to be moving up very slowly. If a birth spurt ever materializes, demographers predict an eventual 6 percent increase in the number of elementary school children five years after it begins and a 20 percent increase for the five year period thereafter. While there may be some hope of an eventual turn-around in elementary school enrollments, secondary education will lose students until 1990.

Decline is not Uniform

The national figures provide an aggregate picture but obscure tremendous variability. While thirty-eight states have experienced declining enrollments,

9 HER, Forthcoming Projections of Education Statistics to 1988/89
11 Unpublished figures, NCES.
12 Ibid.
only 8 lost more than 1 percent of their student population a year from 1970-1975 while 21 lost less than .8 percent over the same time period. Furthermore the student population in 12 states has been growing. While most of these states have experienced modest enrollment growth, enrollment in Alaska, Arizona, Florida, Nevada, and New Hampshire has risen more than 1 percent a year from 1970-1975.

Just as enrollment decline is not uniform across the states, it is also not uniform within states. Urban areas and their first ring suburbs are among the hardest hit. Nineteen seventy-one was the peak year for enrollments in the country’s major urban areas. At that time urban elementary and secondary enrollments were as high as 5.4 million students. By the 1975-1976 school year, however, enrollments had dropped to their 1962-1973 level of 4.9 million. Of the 27 largest cities, only four were growing as of 1975: Miami, Houston, Memphis, and San Diego.

In addition to the drop in the birth rate, the loss in city school enrollments is due to several trends peculiar to urban areas: the out-migration of families, especially from the middle class; the exodus of business and industry; and the decrease in in-migration. Such trends have resulted in a disproportionate number of whites leaving the cities. While the number of whites has decreased 13 percent, the number of blacks has increased 40 percent between 1960 and 1970. By 1970, 15 out of 25 major urban areas had a population that was more than 80 percent minority, with an additional seven cities ranging from 60 to 79 percent minority.

This general changing ethnic composition in the population is reflected in the ethnic composition of the schools. Between 1968 and 1974, 12 of the 27 largest cities averaged a 13 percent increase in their minority populations. The increase ranged from a low of two percent for a city like the District of Columbia which was already predominately black to a high for Atlanta of 23 percent, an increase from 62 to 85 percent minority. Thus, as city school systems are losing clientele, they are also being required to provide for an increasingly educationally disadvantaged student population which, at least potentially, requires higher expenditures.

Like public school enrollments, private school enrollments are also on the downswing. Here, too, the aggregate figures hide some variation. The overall totals for private school enrollment are down since Catholic school enrollments comprise almost three-fourths of the private sector. Non-catholic private school enrollments, however, have been increasing since 1967.

The Student-Money Connection

Most state aid allocations are made directly or indirectly on the basis of number of students. During a period of decline, therefore, the general expectation is that outlays for education will shrink in proportion to a district's loss of pupils. But what data exists suggest that education expenditures are neither leveling off nor slowing, even taking inflation into account. A survey of four states conducted by the Education Commission of the States indicates that


districts with large declining enrollments spend greater amounts than the state averages per pupil for total, instructional, operation, maintenance-of-plant, and fixed expenditures. Declining enrollment districts also are marked by above average property wealth per pupil, tax rates above or equal to statewide averages, and above average state aid per pupil.

A study supported by The Office of Education suggests that these results are generalizable to the nation as a whole. Expenditures in five districts in each state with the greatest absolute pupil decline and five with the greatest relative decline were examined. Districts with the largest decline in pupils had higher absolute increases in revenues, state aid, locally raised revenues, and tax bases than did the statewide average for all districts. These results held with per pupil expenditures for both types of districts.

Thus, declining enrollment districts do not appear as fiscally depressed as expected. Several different factors seem to account for this phenomenon. First, by definition, per pupil expenditures increase as the number of students decrease. Inherent in the most common expenditure yardstick is an inflation factor. Even if expenditures remain constant, per pupil expenditures will rise.

Second, school districts spend almost 80 percent of their budgets on personnel. As the need for new teachers dwindles, faculties become older and more experienced. Most salary schedules reward education and years of teaching. Thus, schools are

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supporting an increasingly expensive cohort of teachers. Furthermore, tenure itself prohibits districts from making immediate staff cuts to account for enrollment decline. The large percentage of school district budgets allocated for personnel also means that savings from declining enrollments accrue slowly. Students do not disappear in classroom multiples. Decline is usually dispersed across a district. While a district may be losing students gradually, it cannot excess teachers until this loss is concentrated in the same school, same grade, and same classroom. It may take several years of declining enrollments before this can happen. According to one estimate, districts can begin to accrue short term savings only five years after enrollments begin dropping with major long term savings available twenty years down the road.

Third, the systems of financing that many states use may be contributing to the upward spiral in costs. Nineteen out of thirty-seven states which have experienced enrollment decline, plus ten states which have not, use one of several provisions either to discount or forestall the loss of state aid to districts. These provisions provide districts with state funds over and above the actual number of students enrolled, thereby creating a buffer period to cushion the impact of decline. Consequently districts can phase themselves into a period of declining state support rather than feel the loss of state money precipitously.

Fourth, the demands on the education system are not abating. For example, in 1976 Congress passed the Education for All Handicapped Students Act mandating that schools provide an appropriate education to all students. Students formerly

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enrolled in state institutions and supported entirely by state money are now the
responsibility of local school districts. Handicapped students must be evaluated
individually and a "prescription" outlined to advance the selected educational
objectives. The provision of such services obviously costs money that districts
previously had not spent.

Federal and state rules and regulations also encumber the system. Many new
statutes require districts to provide services but include no support for their
implementation. Each new program carries its own administrative burden. The
existence of a great many of these programs probably results in a geometric
increase in administrative costs, only some of which are supported by federal
and state funds.

What Can Policymakers Do?
The declining enrollments phenomenon can be characterized in three ways. First,
while decline did not spring de novo onto the education scene, it did, in the early
1970's, catch many off guard. Second, the national picture of overall decline
hides a great deal of variation within any one state or region: growth and decline
are occurring simultaneously. Last, contrary to conventional wisdom, fewer students
do not automatically result in less being spent on education.

These observations suggest that educational planning needs to be improved and
that no simple formula will save the day. They also suggest that educators will
have a lot of explaining to do if they want to make an argument for budget
increases during this time of retrenchment.

22 Paul Hill, "Do Federal Education Programs interfere with One Another?"
(Santa Monica, CA.: Rand Corporation), September 1979.
State policymakers are pivotal to the management of decline because there is much that state departments and state boards can do to help local districts manage decline. Some of the possible strategies include improving forecasting, providing technical assistance and special services, altering staffing policies, and building public relations.

**Forecasting.** Declining enrollments caught many districts off guard because of inadequate forecasting capabilities. Even if district managers keep track of local births, it is often difficult for them to gather and use data about people moving into their community. Localities would be helped tremendously if states could provide information on enrollment trends. Few states currently have such a capability, and even if they do, their projections are often not disaggregated enough to be of use to local planners. Knowledge of economic conditions, migration patterns, and complex social or economic indicators can help districts plan ahead. In order to supply such information states need to develop reliable data collection mechanisms.

**Technical Assistance.** States can also offer technical assistance and disseminate information to local agencies—on what is likely to occur and what can be done about it. States can increase LEA awareness and help districts build on the experience of other LEAs. SEAs, along with statewide professional organizations, such as the National School Boards Association, the National Association of State Boards of Education and other professional associations can help by publishing information, holding seminars, running training programs, and offering workshops on topics related to the problems associated with decline. Illinois is a state which has been in the vanguard in this respect. Not only was it among one of the first to establish...

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a commission on declining enrollments, it also has a declining enrollment "MOD" squad which provides technical assistance to local districts.

Planning for decline may call on skills that managers have yet to develop. The adverse effects of decline are compounded by the unfamiliarity of Americans in general and the education industry in particular with it. American experience up to now has been with growth. During periods of growth, mistakes in management may go virtually unnoticed. During decline the margin of error is reduced and problems are exacerbated because most managers have not been trained to deal with retrenchment.

The major thrust of the technical assistance, then, ought to be directed toward improving management practices. Management science and organizational behavior, long part of educational administration training programs, are disciplines that can be learned and applied to mitigate the effects of changing conditions. Under the conditions that now exist in some communities, management help is not only welcomed, but requested. As the constraints on resources have tightened, decisions about the allocation of scarce resources become more important and more susceptible to public debate. Budgets that previously resulted from standardized increases now receive careful scrutiny. Various economic models and operations research techniques used in conjunction with a sensitivity to community priorities may help managers optimize the use of scarce resources as well as weather the period of decline.

Special Services. State agencies can directly provide some of the specialized services that are most likely to be lost when budgets are cut. Using techniques that have been developed for relatively poor rural districts over the years, the state, through the state department of education or regional and intermediate
agencies, can serve the handicapped or exceptional child when the demand cannot justify the high cost of these services in each individual district. The specialized services—whether basic or "frills"—that are the first to go in a financial crunch because of their limited appeal or limited clientele can be retained if the costs are shared across a number of districts. Often state regional units, or a consortium of districts are the most expedient way to do this.

**Staffing Policies.** The states can also contribute to developing more flexible staffing policies. While parents, taxpayers, and students are only indirectly affected by changing enrollments, teachers and support staff feel the full force of its aftermath. A taxpayer may pay a few more dollars and students may lose an elective, but the teacher stands to lose his or her job. The minority teacher or female administrator who, in most cases, has less seniority than her white, male counterpart, is most likely to be let go. The state can intervene and develop new policies to protect both teachers and the affirmative action gains of recent years. Early retirement incentives, teacher job clearinghouses, retraining of teachers for skills in demand, and subsidies for teachers to go back for advanced education are all possible strategies states can try out.

**Public Relations.** While state level decision makers can explore new ways to help districts manage decline, educators at all levels have a selling job to do as education competes with other public services for public support. Generally people expect that as the output of an industry decreases, the industry's total expenses should decrease. Applying this rule to education, a convincing argument can be made that education, as it serves fewer people, should gradually be costing the taxpayer less, especially since no proven relationship between resources and productivity exists.
There is, however, an argument to be made for some midpoint along the expenditure spectrum, because school systems in fact require substantial funding just to be able to hold their own. An argument can even be made for increasing expenditives, since the job schools are asked to do seems to be expanding. If administrators have any hope of increasing revenues they will need to educate the public about the multitudinous responsibilities the schools continue to incur. Given finite resources, the future of educational policy making will be hard choices as to which missions the schools will fulfill and which will have to be sacrificed.