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## AB 1607 (Muratsuchi) – ADA 3-year average

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### SUMMARY

AB 1607 provides greater fiscal stability for school districts facing declining enrollment by calculating the average daily attendance (ADA) based on a three year average.

### ISSUE

The COVID-19 pandemic led to the closing of California's K-12 public schools, forcing students to continue their education from home and rely heavily on "distance learning". However, schools re-opened in 2021, but the recent surge in COVID-19 cases has increased student absences. Further, due to both long-term demographic trends and impacts of the pandemic, a majority of districts throughout the state, including urban and suburban, are experiencing declining enrollment and declining ADA.

According to the Legislative Analyst Office (LAO) *K-14 Fiscal Outlook* for 2021-22, ADA will be down about 170,000 students (3 percent) relative to the pre-pandemic level of 5,897,000. Further, the LAO calculates attendance for the following four years to decline even further by an additional reduction of about 170,000 students by 2025-26 due to declines in the school age population as a result of declining births in California—a trend that continued for the past decade and throughout the pandemic. However, the expansion of Transitional Kindergarten can potentially add nearly 230,000 students by 2025-26 with districts' attendance eventually recovering from the attendance drop in 2021-22.

In an effort to stabilize school funding due to the ADA decline as a result of the COVID-19 pandemic, the 2020-21 Budget Act included a hold-harmless clause for calculating the Local Control Funding Formula (LCFF) funding for the 2020-21 year by allowing it to be based on 2019-20 ADA (pre-pandemic levels) rather than 2020-21 ADA. Further

the 2021-22 Budget Act, due to existing law, allows school districts to calculate ADA funding based on the greater of prior year or current year ADA, meaning districts were held harmless for student enrollment and/or attendance declines.

State funding for schools is mainly based on attendance with allocations from LCFF based on grants per unit of ADA. Students enrolled in independent study programs also generate attendance-based funding. The state typically provides districts a one-year "hold harmless" by funding districts based on the higher of their prior- or current-year ADA, affecting their fund from the state.

With school districts still dealing with the public health emergency and potentially for the coming years, a majority of districts will need to continue to adjust to declining ADA. In a recent Budget Subcommittee hearing on education finance, the Fiscal Crisis and Management Assistance Team (FCMAT) recommended a policy that would allow schools to use the greater of current year ADA or a three-year rolling average of ADA from current and prior years.

### SOLUTION

AB 1607 calculates the average daily attendance (ADA) for schools districts, starting with the 2022-23 school year, based on a three-year average for the current fiscal year and each of the previous two fiscal years.