



VIRGINIA DEPARTMENT OF EDUCATION

BRIEFING

**REVIEW OF MARCH 31 AVERAGE
DAILY MEMBERSHIP PROJECTIONS**

PRESENTED TO

**SENATE FINANCE
SUBCOMMITTEE ON EDUCATION**

JANUARY 11, 2007

**Kent C. Dickey
Budget Director**

March 31 Average Daily Membership (ADM)

- March 31 Average Daily Membership, or ADM, is the student enrollment count that drives most state funds for public education.

- This briefing will overview:
 - DOE ADM projection process;
 - Revised ADM projections used in SB 750, as introduced;
 - Historical ADM patterns and recent ADM trends.

Projecting March 31 ADM for each Division is a Two Step Process

1. Four years of September 30th fall membership data are used to project fall membership in future years. This step has two primary components:
 - Use historical fall membership data to establish growth patterns over three years (enrollment growth, decline, or static enrollment).
 - Apply the growth patterns to actual, base-year enrollment to project fall membership in future years.
2. The ratios of fall membership to ADM over three years are applied to projected fall membership to project ADM. This step has two primary components:
 - The historical relationship of fall membership to ADM, within the same year (see next two pages). The pattern of this ratio (increase, decrease, static) is applied to projected (or actual) fall membership to calculate the ADM projection.
 - Local projections of ADM submitted to DOE by each school division. However, local ADM projections are used as a benchmark only and are not directly included in the projection methodology. DOE projections of division ADM which vary significantly from the local ADM projection undergo additional review.

Note: fall membership and ADM are projected for each division using historical division-level data; not statewide average factors.

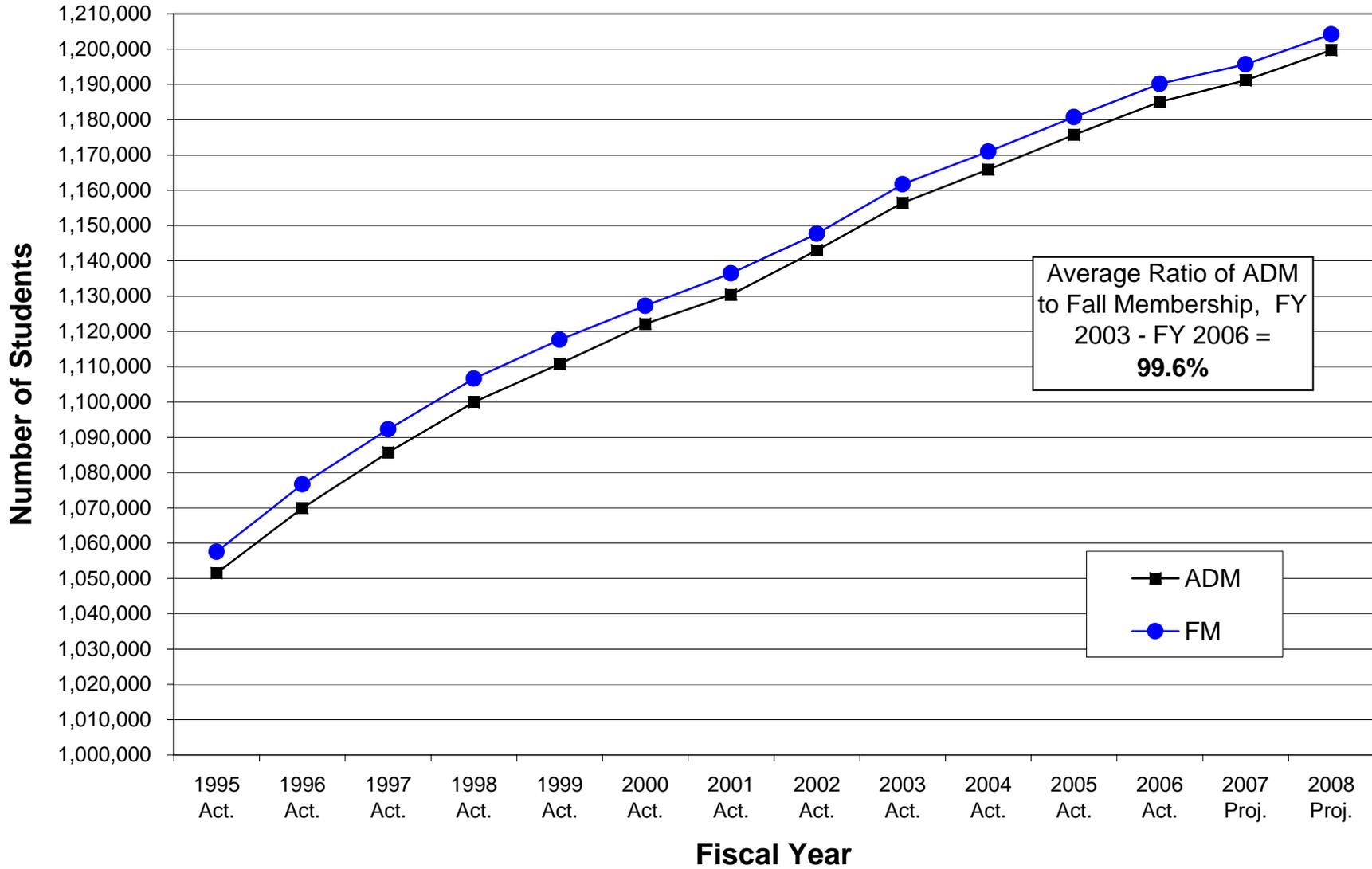
ADM Tracks Fall Membership Closely Over Time

History of Average Daily Membership Compared to Fall Membership			
Fiscal Year	ADM	Fall Membership	ADM as a Percentage of FM
1995	1,051,555	1,057,572	99.4%
1996	1,069,907	1,076,653	99.4%
1997	1,085,716	1,092,276	99.4%
1998	1,099,999	1,106,687	99.4%
1999	1,110,843	1,117,615	99.4%
2000	1,122,191	1,127,253	99.6%
2001	1,130,446	1,136,482	99.5%
2002	1,143,018	1,147,673	99.6%
2003	1,156,471	1,161,687	99.6%
2004	1,165,905	1,170,960	99.6%
2005	1,175,734	1,180,735	99.6%
2006	1,185,050	1,190,140	99.6%
2007	1,191,172 ¹	1,195,716	99.6%
2008	1,199,701 ¹	1,204,171 ¹	99.6%

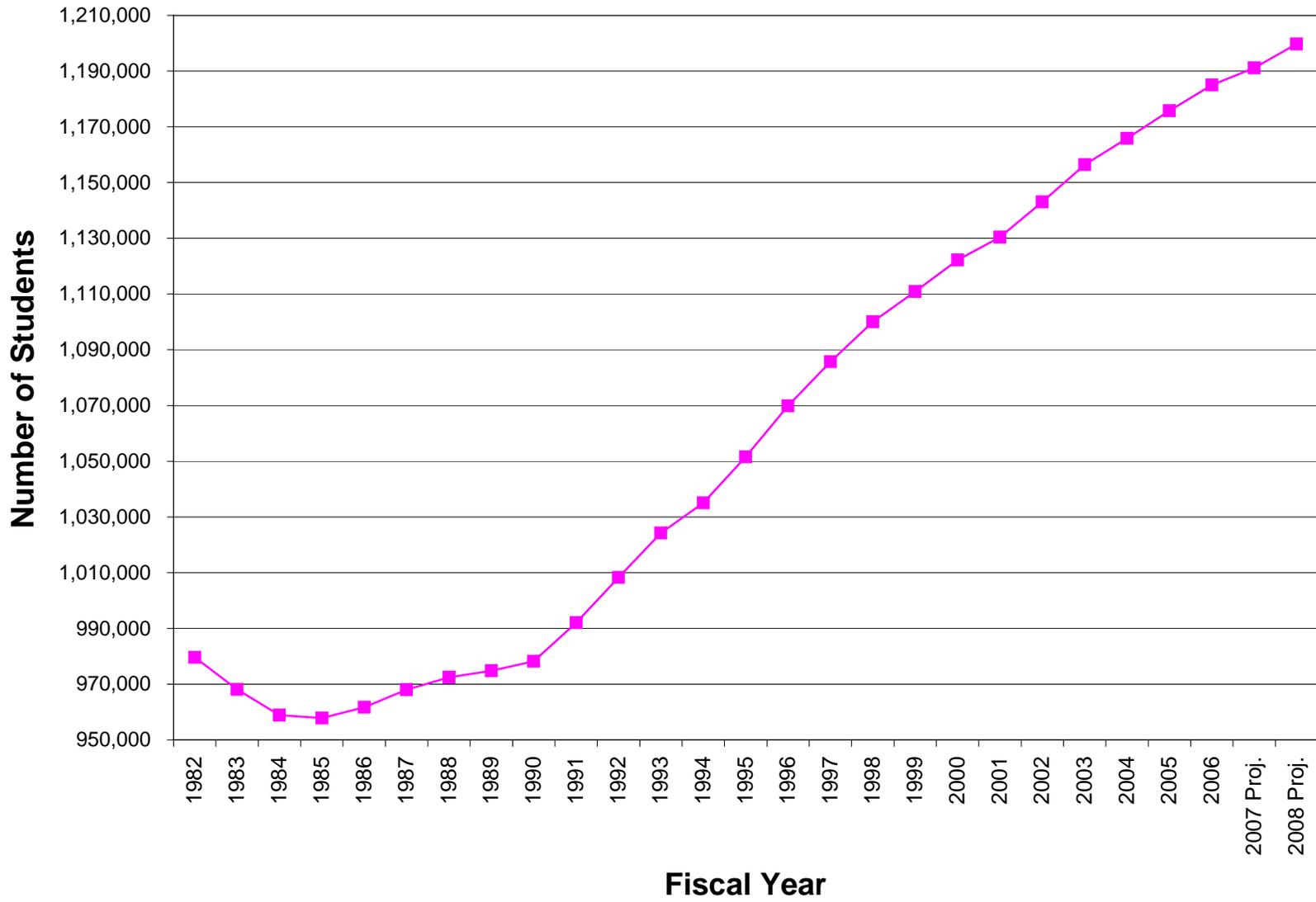
¹projected values.

- This relationship and historical ADM data are shown graphically on the next two pages.

Historical Relationship of Average Daily Membership to Fall Membership



Total Average Daily Membership, FY 1982 - FY 2008



Proposed Changes in SB 750, as introduced

- The Governor’s introduced budget (SB 750) includes a reduction in both the statewide estimate of March 31 ADM and in the state funds needed to support the projected enrollment in public education.
- While enrollment is projected to continue to grow from year-to-year, a couple of factors indicate that the projections of average daily membership growth can be reduced.
- These factors include (which are incorporated in the revised ADM projections):
 1. Actual ADM in fiscal year 2006 was lower than projected.
 2. Actual September 30, 2006 (FY 2007), fall membership was lower than projected.
- The revised projections contained in SB 750 are shown below:

Revised ADM Projections for 2006-2008 (SB 750)						
	Original Projection <i>November 2005 – Chp. 3</i>		Revised Projection or Actual <i>November 2006 – SB 750</i>		Difference	
	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>	<u>FY07</u>	<u>FY08</u>
ADM	1,196,914	1,208,149	1,191,172	1,199,701	(5,742)	(8,448)
Fall Membership	1,200,727	1,212,005	1,195,716 ¹	1,204,171	(5,011)	(7,834)

¹Actual FY 2007

- For FY07, the revised ADM projection contained in SB 750 is 0.48% less than the ADM projection in Chapter 3, resulting in a proposed \$20.4 million reduction in state funding.
- For FY08, the revised ADM projection contained in SB 750 is 0.70% less than the ADM projection in Chapter 3, resulting in a proposed \$35.8 million reduction in state funding.

Since 1986, ADM has grown each year over the previous year, but growth is slowing

History of Average Daily Membership			
Fiscal Year	Average Daily Membership (ADM)	Number Change	Percentage Change
1982	979,639	(23,644)	-2.36%
1983	968,072	(11,567)	-1.18%
1984	958,867	(9,205)	-0.95%
1985	957,781	(1,086)	-0.11%
1986	961,698	3,917	0.41%
1987	967,988	6,290	0.65%
1988	972,406	4,418	0.46%
1989	974,819	2,413	0.25%
1990	978,194	3,375	0.35%
1991	992,083	13,889	1.42%
1992	1,008,317	16,234	1.64%
1993	1,024,255	15,938	1.58%
1994	1,035,060	10,805	1.05%
1995	1,051,555	16,495	1.59%
1996	1,069,907	18,352	1.75%
1997	1,085,716	15,809	1.48%
1998	1,099,999	14,283	1.32%
1999	1,110,843	10,844	0.99%
2000	1,122,191	11,348	1.02%
2001	1,130,446	8,255	0.74%
2002	1,143,018	12,571	1.11%
2003 ¹	1,156,471	13,453	1.18%
2004 ^{1, 2}	1,165,905	9,434	0.82%
2005 ^{1, 2}	1,175,734	9,829	0.84%
2006 ²	1,185,050	9,316	0.79%
2007 ³	1,191,172	6,122	0.52%
2008 ³	1,199,701	8,529	0.72%

¹Data used in Chp. 3 (2006 Session) ADM projections
²Data used in SB 750 ADM projections
³Projected

Actual ADM compared to Final Projection for the Same Year

History of Final Average Daily Membership Projections Compared to Actual ADM			
Fiscal Year	Actual ADM	Final ADM Projection	Actual as a Percent of Final Projection
1995	1,051,555	1,052,119	99.95%
1996	1,069,907	1,070,642	99.93%
1997	1,085,716	1,086,450	99.93%
1998	1,099,999	1,110,119	99.09%
1999	1,110,843	1,111,655	99.93%
2000	1,122,191	1,120,317	100.17%
2001	1,130,446	1,131,302	99.92%
2002	1,143,018	1,142,577	100.04%
2003	1,156,471	1,156,599	99.99%
2004	1,165,905	1,169,602	99.68%
2005	1,175,734	1,177,369	99.86%
2006	1,185,050	1,186,156	99.91%

Recent ADM Trends

- The composite index impacts the magnitude of funding changes as ADM changes. The dollar value of a one student change in ADM varies based on the composite index of the division. As shown on the next page, changing trends make projecting ADM difficult.
- For fiscal year 2007, divisions with lower composite index values (and higher state shares of cost) accounted for most of the reduction in the ADM projection contained in SB 750 as shown below:

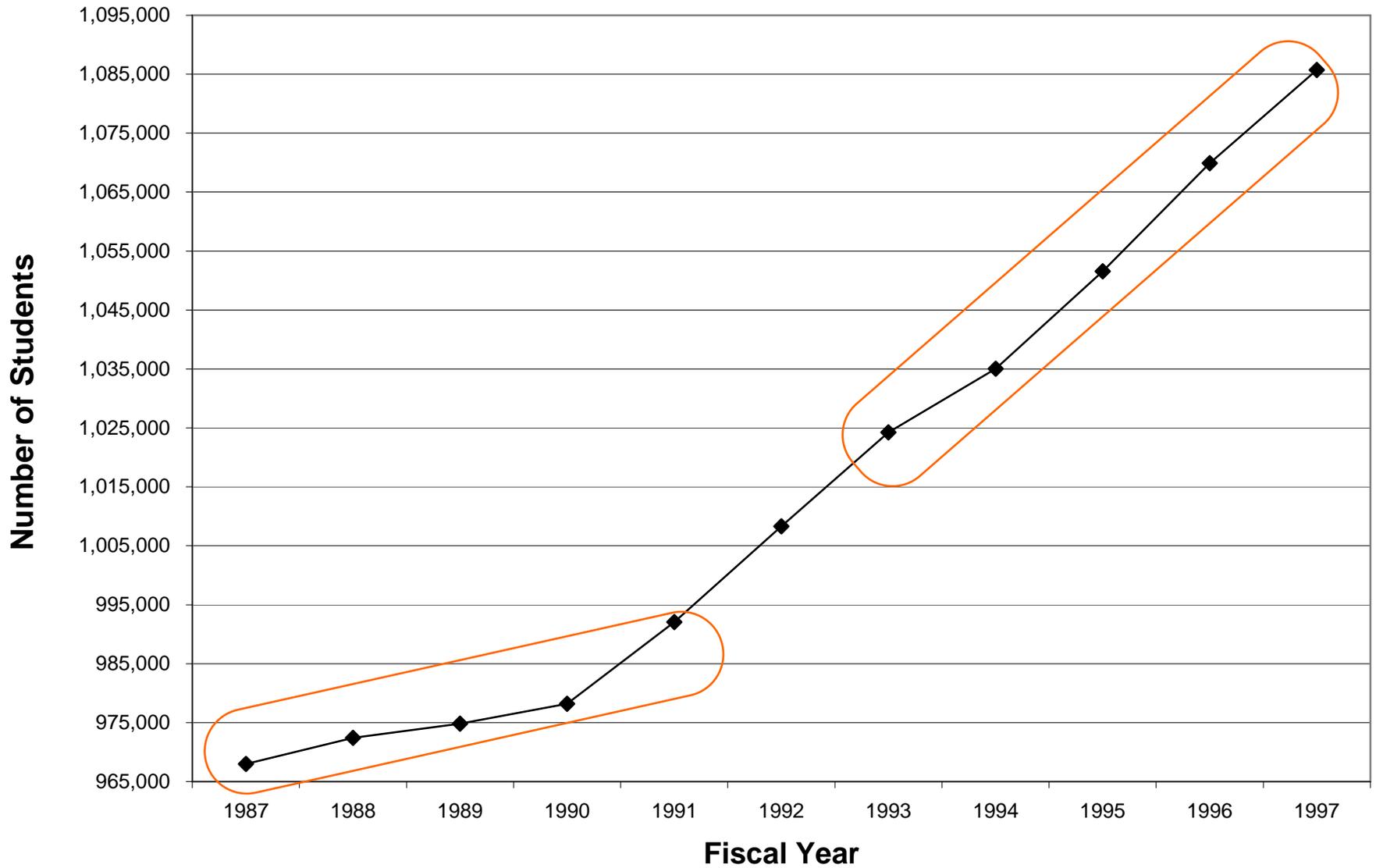
Composite Index	Number of Divisions	Percent of Divisions	Difference in ADM Projections (Nov. 2005 to Nov. 2006)	Percent of Total Difference
Less than .4500	108	79%	(4,538)	79%
Greater than or equal to .4500	28	21%	(1,204)	21%
Total	136	100%	(5,742)	100%

- Divisions in the Hampton Roads region accounted for most of the reduction in the ADM projection used for SB 750 compared to the ADM projection used for Chapter 3 as shown below:

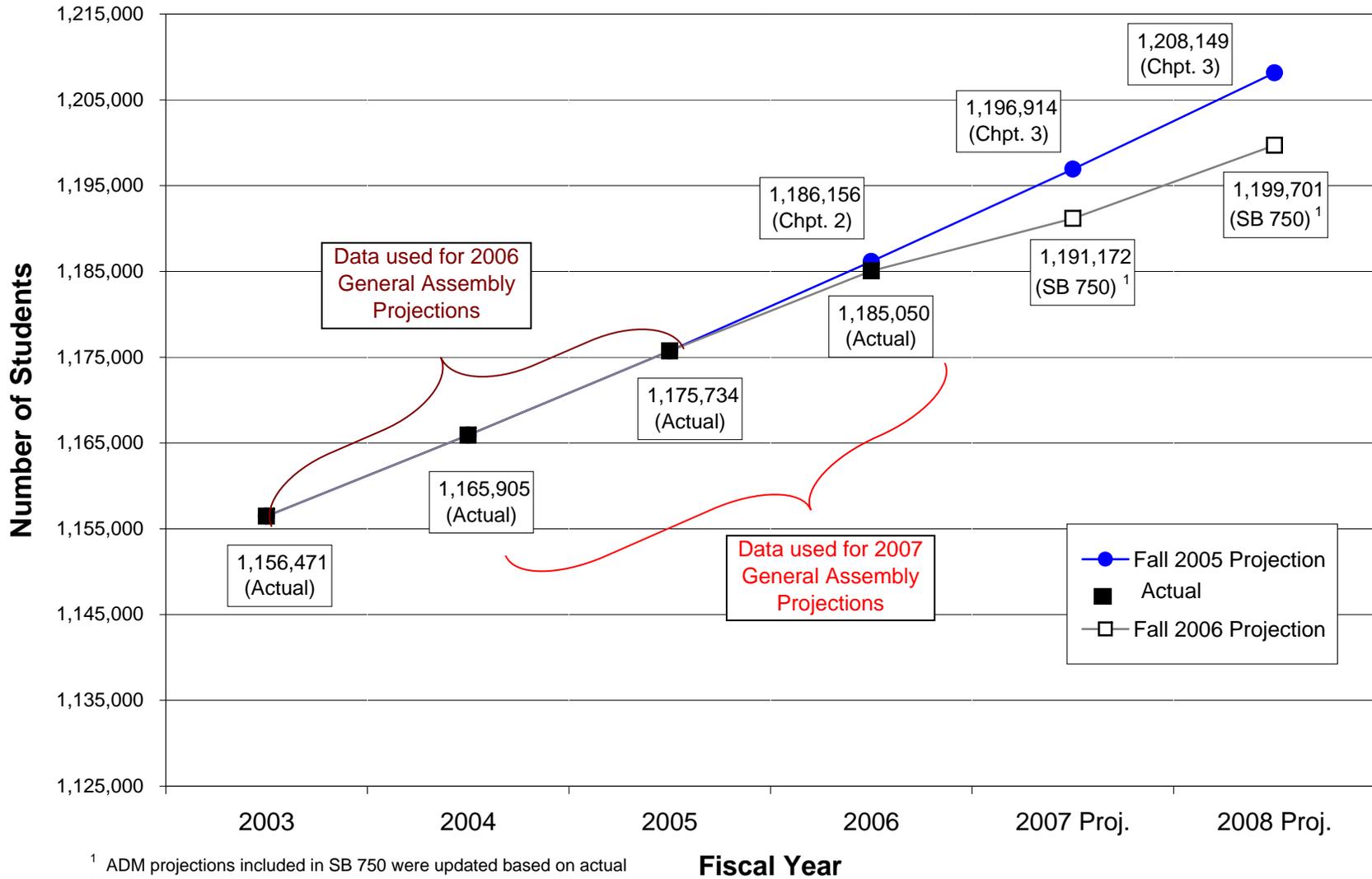
Fiscal Year	Total Difference in ADM Projections, Nov. 2005 to Nov. 2006	Difference in Hampton Roads Region	Percentage of Hampton Roads Reduction to Total Reduction
2007	(5,742)	(4,150)	72%
2008	(8,448)	(5,900)	70%

- While the latest ADM projection resulted in a reduction from the previous forecast, ADM is still growing statewide but at a lesser rate than in the recent past.

Projecting ADM Is Difficult When Trends Begin to Change: FY 1987 - FY 1997



How Significant is This Proposed Change in ADM Projections?



¹ ADM projections included in SB 750 were updated based on actual March 31, 2006 ADM and September 30, 2006 fall membership.