

CAPITOL RESEARCH

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The Promises and Perils of School District Consolidation

The joke goes something like this:

Q) What's the most difficult animal to kill?

A) A school mascot.

When school districts talk about school consolidation—merging two or more smaller school districts into one larger system—parents usually object to efforts to relinquish their small community schools. Just ask voters in Valdosta, Ga., who in November 2011, by nearly a 4-to-1 ratio, rejected a ballot initiative that would have merged the Valdosta City and Lowndes County school districts. The Valdosta Chamber of Commerce backed the proposed school merger and the local newspaper endorsed it, arguing uniting the two school systems would improve efficiency and the quality of education. Still, hundreds of parents marched in protest and took their opposition to the ballot box. On election day, 79 percent voted against the proposed consolidation.

States Focus on Consolidation to Cut Spending

Legislatures and governors recently have given increased attention to school consolidation. Facing mounting budget shortfalls and searching desperately for avenues to cut spending, some state leaders have examined possible savings by forcing smaller districts to close.

In his 2011 budget address, Illinois Gov. Pat Quinn called for a consolidation commission to review the number of school districts in his state. Illinois has more than 850 local school districts, the most of any state except Texas and California. “Our fiscal reality demands consolidation,” Quinn said. “Consolidation lowers administrative overhead, improves efficiency and will save taxpayers \$100 million.”¹

The outcome in Illinois could be mandatory school consolidation, something that is currently voluntary. According to some estimates, the governor’s plan could eliminate more than 500 school districts in the state. An analysis shows Illinois leads the nation in the number of districts with only one school—214, and taxpayers spent \$2,000 more per student on average to educate students in one-school districts compared with multi-school districts.²



In 2011, the Illinois legislature responded to Quinn’s proposal by enacting House Bill 1216, which created the Classrooms First Commission, chaired by Lt. Gov. Sheila Simon. Although the commission is conducting a broad study of school efficiency issues, one of the primary areas members are addressing is school consolidation. The commission is scheduled to release a report with recommendations by July 2012.

Nationally, more than 900 school districts have fewer than 100 students, so few the entire school district’s enrollment—from preschool through high school—could fit comfortably on two school buses. More than 20 percent of those micro-districts can be found in Montana, where nearly half the state’s school districts have fewer than 100 students.

The number of school districts varies widely from state to state. Hawaii, for instance, has a single statewide school system. At the opposite extreme, 14 states have more than 300 public school districts (See table).

Iowa’s 361 local school systems may seem excessive, but in the early 1960s, the state operated more than 4,500 local districts. Several laws enacted between 1979 and 1999 resulted in a massive reorganization of districts. A position statement by the Iowa Association of School Boards says several barriers prevent further tightening of the number of districts in the state.



“Variance in property tax rates is a key barrier to reorganization,” the position statement concludes. “Citizens in some districts would have to significantly increase their taxes in order to reorganize with neighboring districts.” In Iowa, according to the Association of School Boards, the school funding system requires all contiguous districts to independently pass a bond issue at a 60 percent supermajority to build a joint facility. The taxpayers in each district would pay a different tax rate. If the vote fails in even one district, the regional high school can’t be built.³

Michigan’s 551 local school systems also have already decreased considerably. In 1965, Michigan had more than 1,200 school districts. Today, even after widespread consolidations, approximately one-third of Michigan’s school districts have fewer than 1,000 students.

In 2010, a study by Michigan State University professor Sharif M. Shakrani concluded Michigan could save more than \$600 million per year at the county level and an additional \$328 million at the state level—all without closing any schools. Shakrani notes consolidation can result in economy-of-scale savings by sharing administrators, programs and equipment.

Shakrani’s study points out that, although the pace of school consolidation has slowed significantly across the nation since the 1970s, some states—such as Indiana, Maine New Jersey, New York and Vermont—provide financial support designed to encourage district reorganization, typically in the form of consolidation. In contrast, about 16 states use school aid formulas that compensate school districts for sparse enrollment or small size and thereby discourage consolidation.⁴

“Through shared services, a comprehensive educational program can be made available even though a particular school may not be very comprehensive in its offerings. Instructional materials, teachers, equipment, ancillary services, transportation, staff development, counseling services, special education and vocational education can be shared,” he wrote.⁴

In 2008, Indiana Gov. Mitch Daniels commissioned a study titled, “Streamlining Local Government.” One finding in the report supported school consolidation—eliminating all school districts with fewer than 2,000 students. The report concluded:

- Small schools are inefficient. Merging smaller school districts would eliminate some administrative and support staff needed to run multiple school systems.

- Small schools cannot provide a comprehensive education. The report found small school districts are unable to provide the diversity of programming available in larger districts.
- The optimal size for school districts ranges between 2,000 and 6,000 students.⁵

In 2010, an education policy brief from the Center for Evaluation & Education Policy at Indiana University concluded that, despite some legislative interest in mandating school consolidation, the results wouldn’t benefit students and would have minimal impact, if any, on state spending on public education.⁶

Most states have policies addressing school district consolidation. The most common form of policy is a state aid program designed to encourage district reorganization, typically in the form of consolidation, by providing additional money for operations or capital projects during the transition to the new form of organization.⁷

Maine’s Four-Year Consolidation Battle

Since 2007, Maine has been engaged in a tug-of-war over school consolidation. When it began, the state had 290 local school districts, roughly half of which had fewer than 300 students from preschool through high school. More than 80 districts in the state enrolled fewer than 100 students. Then the legislature passed a bill requiring most of the state’s smaller districts to consolidate. State legislators opted to penalize small districts that failed to merge. Consolidate, the law said, or lose part of your state funding. Voters responded by placing a referendum on the ballot in 2009, to repeal the consolidation statute.

Voters opted not to repeal the law by a 59-41 percent margin and the number of school districts in Maine has subsequently dropped from 290 to 164.

That’s not the end of the story, however. Despite the law, 56 districts were out of compliance as of December 2011, according to Education Department spokesman David Connerty-Marin. Those 56 districts have a combined enrollment of fewer than 11,000 students. During its 2011 session, legislators introduced at least 12 bills addressing school consolidation. Several asked for exemptions for specific school districts. The legislature adopted one bill, Legislative Document 139, which removes the penalty for schools that have not reorganized; the governor signed it into law in June, essentially removing the incentive for districts to consolidate in the future.

Maine’s Department of Education contends the 2007 law resulting in numerous school mergers saves the state \$36 million and local districts an additional \$30 million each year. The department also says the law helped districts be better prepared to deal with current budgetary constraints.⁸

What Research Says About Consolidation

Advocates of school consolidation contend merging multiple small districts into a larger one results in economy of scale cost savings. They argue consolidation results in reduced overhead through eliminating duplicative staff members and combining school

facilities and equipment. They also contend the quality of education improves because larger schools are capable of offering programs that would be inefficient for small schools to offer.

A 2007 study published in *Education Finance and Policy* concludes annual operating spending per pupil declines by more than 60 percent when two 300-pupil districts merge and by nearly half when two 1,500-pupil districts merge. The savings are particularly large for instruction and administration, but the study finds no savings for student transportation. It also reveals, however, consolidation involves additional transitional operating costs not associated with enrollment.⁹ The study concludes overall operating spending and operating spending subcategories exhibit a large upward shift in per pupil costs at the time of consolidation, followed by a gradual decline in per pupil costs in the following years. These extra costs appear to disappear after about 10 years.¹⁰

Another study conducted for the Center for Policy Research at Syracuse University's Maxwell School of Citizenship and Public Affairs found evidence that school district consolidation substantially reduces operating costs, particularly when small districts are combined.¹¹

Research also has found numerous disadvantages to school system mergers. One study concludes student achievement is higher in small schools and higher still in small schools operating in small school districts.¹² Other studies have linked small schools with a lower dropout rate¹³ and more graduates who enroll in postsecondary education.¹⁴ Consolidating school districts does not necessarily result in closing and consolidating individual schools, although frequently consolidating small schools is the byproduct of consolidating districts.

Supporters of small schools also point to a U.S. Department of Education report that concludes schools with more than 1,000 students experienced more than eight times as much violent crime, four times more physical fights and 10 times more weapons violations than schools with fewer than 300 students. That report also concluded teachers in larger schools were five times more likely to be a victim of student violence than one in a small school.¹⁵

Providing Consolidation Incentives

In 2007, Maine took a punitive approach to force tiny school districts to consolidate. Districts that met consolidation guidelines but refused to merge lost 2 percent of their state funds. Other states have used financial incentives, offering a carrot rather than a stick, to encourage them to consolidate.

Since 1984, more than 100 Illinois school districts that agreed to merge have received state grants. School districts that consolidated were eligible for the following grants from the State Board of Education:

- For four years, the consolidated district receives general state aid at the level of the district receiving the most state aid prior to the consolidation.
- For four years, the consolidated district receives a grant to pay the difference in teacher salaries, allowing salaries in the combined districts to be

increased to the same level.

- The consolidated district receives a one-time grant to cover some of the negative fund balance that one district brought to the consolidation.
- The consolidated district receives \$4,000 per certified staff person, including all teachers and administrators holding certificates.¹⁶

Now faced with leaner economic times, however, Quinn's consolidation study task force is eyeing new ways to reduce the number of local school systems. Where incentives have failed in the past, mandatory consolidation is now on the table and might be considered during the 2012 legislative session.

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Tim Weldon, CSG Education Policy Analyst | tweldon@csge.org

Number of Districts by State with Student Enrollment

| State or jurisdiction | Total Districts | Student Enrollment | | | | | | | | |
|----------------------------|-----------------|--------------------|---------------|-------------|-------------|-------------|---------|---------|---------|------|
| | | 100,000 or more | 10,000-99,999 | 5,000-9,999 | 3,000-4,999 | 1,000-2,999 | 500-999 | 300-499 | 100-299 | 1-99 |
| Alabama | 133 | 0 | 13 | 25 | 26 | 65 | 2 | 1 | 0 | 0 |
| Alaska | 53 | 0 | 3 | 2 | 2 | 9 | 6 | 13 | 12 | 6 |
| Arizona | 224 | 0 | 26 | 24 | 18 | 45 | 17 | 20 | 31 | 40 |
| Arkansas | 244 | 0 | 7 | 9 | 22 | 85 | 91 | 29 | 1 | 0 |
| Bureau of Indian Education | 196 | 0 | 0 | 0 | 0 | 1 | 17 | 25 | 97 | 33 |
| California | 958 | 2 | 158 | 114 | 105 | 186 | 108 | 69 | 118 | 90 |
| Colorado | 178 | 0 | 19 | 11 | 9 | 34 | 22 | 29 | 44 | 10 |
| Connecticut | 169 | 0 | 10 | 20 | 32 | 57 | 22 | 12 | 14 | 2 |
| Delaware | 19 | 0 | 4 | 4 | 6 | 5 | 0 | 0 | 0 | 0 |
| District of Columbia | 1 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Florida | 67 | 7 | 31 | 12 | 5 | 12 | 0 | 0 | 0 | 0 |
| Georgia | 180 | 2 | 35 | 27 | 41 | 62 | 9 | 3 | 1 | 0 |
| Hawaii | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Idaho | 116 | 0 | 6 | 6 | 12 | 28 | 15 | 18 | 24 | 7 |
| Illinois | 869 | 1 | 22 | 49 | 77 | 268 | 204 | 110 | 110 | 26 |
| Indiana | 294 | 0 | 24 | 33 | 36 | 148 | 45 | 1 | 5 | 0 |
| Iowa | 361 | 0 | 7 | 9 | 15 | 80 | 132 | 68 | 46 | 4 |
| Kansas | 316 | 0 | 7 | 11 | 11 | 54 | 77 | 64 | 61 | 8 |
| Kentucky | 174 | 0 | 11 | 15 | 37 | 77 | 23 | 8 | 3 | 0 |
| Louisiana | 69 | 0 | 17 | 17 | 15 | 19 | 1 | 0 | 0 | 0 |
| Maine | 246 | 0 | 0 | 2 | 12 | 52 | 27 | 16 | 40 | 83 |
| Maryland | 24 | 3 | 12 | 4 | 3 | 2 | 0 | 0 | 0 | 0 |
| Massachusetts | 244 | 0 | 9 | 30 | 55 | 84 | 25 | 12 | 25 | 4 |
| Michigan | 551 | 0 | 23 | 49 | 74 | 225 | 94 | 29 | 25 | 31 |
| Minnesota | 337 | 0 | 15 | 22 | 28 | 96 | 89 | 46 | 35 | 4 |
| Mississippi | 152 | 0 | 5 | 14 | 36 | 73 | 19 | 1 | 4 | 0 |
| Missouri | 523 | 0 | 20 | 18 | 39 | 101 | 116 | 72 | 116 | 41 |
| Montana | 417 | 0 | 1 | 3 | 5 | 20 | 31 | 35 | 123 | 199 |
| Nebraska | 253 | 0 | 3 | 6 | 7 | 23 | 47 | 62 | 99 | 6 |
| Nevada | 17 | 1 | 1 | 5 | 2 | 3 | 2 | 1 | 1 | 1 |
| New Hampshire | 180 | 0 | 2 | 2 | 9 | 47 | 36 | 22 | 32 | 26 |
| New Jersey | 603 | 0 | 19 | 52 | 67 | 187 | 111 | 57 | 61 | 14 |
| New Mexico | 89 | 0 | 8 | 7 | 12 | 13 | 16 | 11 | 15 | 7 |
| New York | 696 | 1 | 15 | 70 | 101 | 266 | 129 | 59 | 36 | 18 |
| North Carolina | 115 | 2 | 34 | 31 | 21 | 25 | 2 | 0 | 0 | 0 |
| North Dakota | 185 | 0 | 2 | 3 | 1 | 7 | 14 | 28 | 78 | 49 |
| Ohio | 615 | 0 | 16 | 49 | 87 | 316 | 126 | 13 | 3 | 3 |
| Oklahoma | 532 | 0 | 11 | 9 | 14 | 96 | 102 | 107 | 158 | 35 |
| Oregon | 190 | 0 | 13 | 17 | 17 | 42 | 31 | 14 | 27 | 29 |
| Pennsylvania | 500 | 1 | 16 | 56 | 108 | 247 | 62 | 7 | 2 | 1 |
| Puerto Rico | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Rhode Island | 32 | 0 | 3 | 5 | 8 | 11 | 1 | 2 | 2 | 0 |
| South Carolina | 85 | 0 | 20 | 21 | 16 | 20 | 8 | 0 | 0 | 0 |
| South Dakota | 156 | 0 | 2 | 0 | 3 | 17 | 28 | 30 | 72 | 3 |
| Tennessee | 140 | 1 | 19 | 24 | 33 | 43 | 12 | 4 | 2 | 2 |
| Texas | 1,032 | 3 | 95 | 72 | 83 | 245 | 205 | 112 | 187 | 28 |
| U.S. Virgin Islands | 2 | 0 | 0 | 2 | 0 | 0 | 0 | 0 | 0 | 0 |
| Utah | 41 | 0 | 14 | 5 | 6 | 11 | 1 | 2 | 2 | 0 |
| Vermont | 291 | 0 | 0 | 0 | 1 | 16 | 34 | 37 | 103 | 85 |
| Virginia | 134 | 1 | 26 | 21 | 24 | 46 | 10 | 1 | 1 | 0 |
| Washington | 295 | 0 | 31 | 28 | 26 | 64 | 42 | 23 | 42 | 38 |
| West Virginia | 55 | 0 | 7 | 10 | 15 | 21 | 2 | 0 | 0 | 0 |

Source: U.S. Department of Education, National Center for Education Statistics, Common Core of Data (CCD), "Local Education Agency Universe Survey," 2009-10, Version 1a.