

### 3. Barriers to Consolidation Working Group

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Chair: John McNeil

Participants: Scott Seilstad, Tonia Bloom, Steve Johnson, Madalyn Quinlan, Bud Williams, Joan Anderson

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February 16, 2004, conference call

- Examined the MREA and MTSBA task force document
- Discussed statutory requirements related to consolidation/annexation
  - public vote
  - bonded indebtedness
  - conditional/trial periods
  - tenure status of bargaining units
  - structure of new board

March 22, 2004,

- Prepared list of technical barriers due to unclear statutory language
- Prepared another list of barriers due to financial, governance, and funding structures
- Discussed duties of trustees in consolidation transitions

May 14, 2004

- Discussed K-8 districts becoming K-12 districts

April 26, 2004, conference call

- Developed list of technical issues related to consolidation
  - Approved final report to the Commission to be presented May 17, 2004
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### **Report to full commission: Barriers to Consolidation Working Group of the School Renewal Commission**

## Consolidation Issues

(as adopted by Commission on 8/16)

### Background

There are currently 444 operating school districts in the State of Montana, down from 528 in 1991. This attrition is the product of demographic trends (primarily the loss of population in the eastern part of the state), which have caused the citizens of adjoining school districts to voluntarily vote to consolidate or annex, or which have resulted in school districts simply closing their doors for lack of students. Because the 444 operating school districts function in many circumstances with shared administration, a single joint board and a single master agreement governing staff salaries and benefits, there are actually 347 "administrative units."

The number of administrative units is summarized below.

K-12 Districts	55
Combined Districts (joint boards)	105
Independent Districts	177
Non-Operating Districts	8
State Funded Districts	<u>2</u>

**Total Administrative Units: 347**

Over the years the issue of the consolidation of school districts has been an ongoing and lively subject of public debate. The debate on consolidation generally deals with two important, but separate questions: (1) Does the consolidation of school districts save money? (2) Does the consolidation of school districts improve the quality of education? The School Renewal Commission did not have the staff or resources to engage in independent research into either of these questions, but it is worth citing several previous efforts to do so.

The Governor's K-12 Public School Funding Study Advisory Council issued a report in December, 2001, which contained the following conclusions.

"...the Council was unable to find any clear data or information to suggest that a reduction in the number of districts would, as a broad and general proposition, automatically result in substantial cost savings or efficiencies in the delivery of educational services. While there may be individual instances where that might be the case, the information reviewed did not suggest that it would be the case in every instance."

The same report also concluded that the information available from recent experiences with consolidation "suggested that, while certain costs savings might accrue to the state, there would likely be increased costs to the local taxpayer." The Advisory Council report also cited the conclusions of Governor Racicot's 1994 "Task Force to Renew Montana Government," which concluded that consolidation generally would result in "no substantial cost savings and a transfer of costs from the state to local government."

The most exhaustive study of all the issues related to school consolidation in Montana is probably the 1993 "School Reorganization in Montana - Time for Decision?" report prepared by Project SEEDS, headed by former Governor Ted Schwinden. That report concluded:

"The six examples of school district consolidations that were studied provide little evidence to support the contention that consolidation is an effective way to reduce school costs. However, educational professionals I contacted were in near unanimous agreement that consolidation can result in program improvement."

The Project SEEDS report rejected the notion that the state should mandate consolidation and emphasized the need to consider the impact on communities and be sensitive to local concerns when reorganizing schools. The report also questioned whether high schools of fewer than 35 students could provide students with a sufficiently diverse educational pro-

trustees for the new district would be elected by the combined voters of the new district, with the lengths of terms to be assigned by drawing of lots.

- The law should specify that the existing elected boards of the consolidating districts would continue their duties and perform close-out duties related to their individual districts until the July 1 effective date. The joint board would address all planning, budgeting, contracting and hiring issues related to the operation of the newly consolidated district.
- The law should specify that any ongoing building reserve or technology depreciation levies accrue to and become the responsibility of the newly formed district as a whole in the same dollar amounts that were originally approved.
- The law should allow joint districts (defined as those with territory in more than one county) to be formed by consolidation, annexation or the attachment of an abandoned district to a neighboring district. Currently, joint districts may be created by consolidation, but may not be formed by annexation or attachment.
- Tenure protection and hiring preferences for employees of districts that elect to combine through the process of unification should be the same as those for employees of districts that join by consolidation or annexation. Statute should be amended to reflect this.

The School Renewal Commission recommends no change in state statute in the following areas:

- Montana statute allows consolidations and annexations to occur with or without the assumption of bonded indebtedness by the newly formed district as a whole. School boards decide between the two options prior to putting a proposition to a vote and that decision is reflected in the ballot language. Both the working group and the Commission as a whole engaged in extensive discussion of the merits of creating a single policy for bonded indebtedness, as opposed to leaving both options in law. There was no consensus on changing the law to create a uniform process and it was decided that the availability of two options allows school districts to respond more effectively to local circumstances. The Commission recommends no change to state law with regards to bonded indebtedness.
- Bargaining of a new collective bargaining agreement should be left to management and labor in a newly combined district under applicable labor laws and under the guidance of the Board of Personnel Appeals. The Commission does not believe any legislation is necessary in this area.
- There is a potential need for both an annexation and a consolidation process in different situations. Therefore, the Commission recommends retaining both processes in state law.
- The Commission recommends that the requirement for an affirmative vote in both districts for consolidation be retained. Approval by voters in effected districts provides necessary legitimacy to the process.

gram and suggested that the funding formula should reduce support for non-isolated high schools with fewer than 35 students. The report also recognized the programmatic benefits of the K-12 school district structure and supported the use of cost-effective learning technology and cooperative agreements, given the inevitability of the continued existence of small schools and school districts due the size, geography and rural nature of Montana.

Finally, it is worth mentioning the conclusions contained in a report entitled "An Evidence-Based Approach to School Finance Adequacy in Arkansas," prepared for the Arkansas Legislature by Lawrence O. Picus and Associates. Research cited in this study indicates that when both cost (input) and student performance (output) are considered, the economic benefits of larger schools are less evident and diminish beyond a certain size. There is research evidence that suggests that large-scale consolidation of rural schools nationally has not resulted in cost savings and may have reduced student performance, as well as harming rural communities. Where distance and geography are not an issue, research indicates that schools of 300-500 are optimal at the elementary level, while the best size for a high school unit is probably about 500.

### Work of the School Renewal Commission Related to Consolidation

A working group of the School Renewal Commission was charged with looking primarily at the narrower issue of whether there are barriers to voluntary consolidation in current statute. In other words, when two or more districts chose to consider consolidation are there obstacles in the current process that make it more difficult for the consolidation to take place? The recommendations proposed by the working group and adopted by the Commission are below.

The School Renewal Commission recommends that the following areas of the law be clarified to eliminate barriers to voluntary consolidation.

- Provisions for consolidation of one K-12 district with another K-12 district should be included in statute wherever they are currently absent. Specifically, it should be made clear in statute that a K-12 district may consolidate with another K-12 district without first being required to dissolve its K-12 structure.
- The Commission believes that the K-12 structure is the most efficient school district structure and does not recommend allowing K 12 districts to be dissolved to consolidate with a stand alone elementary district.
- Statute should specify that a newly consolidated district becomes an official entity on July 1 following a successful vote on consolidation in each of the constituent districts.
- The governance of a consolidated district should be clarified in the following manner. Immediately following voter approval of a consolidation (elementary, high school or K-12) a joint board, composed of the members of the existing school boards of the participating districts should be formed to deal with transitional issues. The joint board would also serve as the governing board of the newly consolidated district from the July 1 effective date of the consolidation until the next regular school trustee election. At that election the appropriate number of

- The Commission rejects the idea of instituting a trial period for consolidation during which “de-consolidation” could occur. Consolidations should be final. The technical issues involved with de-consolidating a district would be great. Current laws governing cooperative agreements between districts provide ample opportunities for districts to experiment with cooperation prior to deciding to consolidate. Districts can currently share administration, staff, programs, purchasing, etc., as well as the sponsorship of athletic programs.

Finally, the Commission believes that some structural features of the current funding system and the current taxation system create disincentives to consolidation when such consolidation might otherwise make sense. These structural features include:

- the fact that the basic entitlement is the same for districts of every size;
- the fact that the taxable valuations available to support schools vary widely from district to district.

The Commission recommends that tax inequities between school districts be addressed and that any new funding formula avoid building in disincentives to consolidation.

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Resources/materials for the Barriers to Consolidation Working Group:

“An Evidence-Based Approach to School Finance Adequacy in Arkansas,” prepared for the Arkansas Legislature by Lawrence O. Picus and Associates.

Data on number of school districts in Montana, OPI, 2004

“Elementary Districts Feeding High School Districts, FY 2000-01,” Excel spreadsheet, OPI, May, 2004

“Governor’s K-12 Public School Funding Study Advisory Council, Report and Recommendations,” December 31, 2001 – Subcommittee on Consolidation: report Fall of 2001

“MCA Sections Specifically relating to school annexation, consolidation, or unification,” excerpts from the Montana Codes Annotated, Legislative Council Division, 2003

MREA and MTSBS task force document on examination of consolidation barriers, 2003.

“School Reorganization in Montana – a time for decision?,” report prepared for the Montana School Boards Association, former Governor Ted Schwinden, director, 1993

“Task Force to Renew Montana Government,” authorized by Governor Marc Racicot 1994

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