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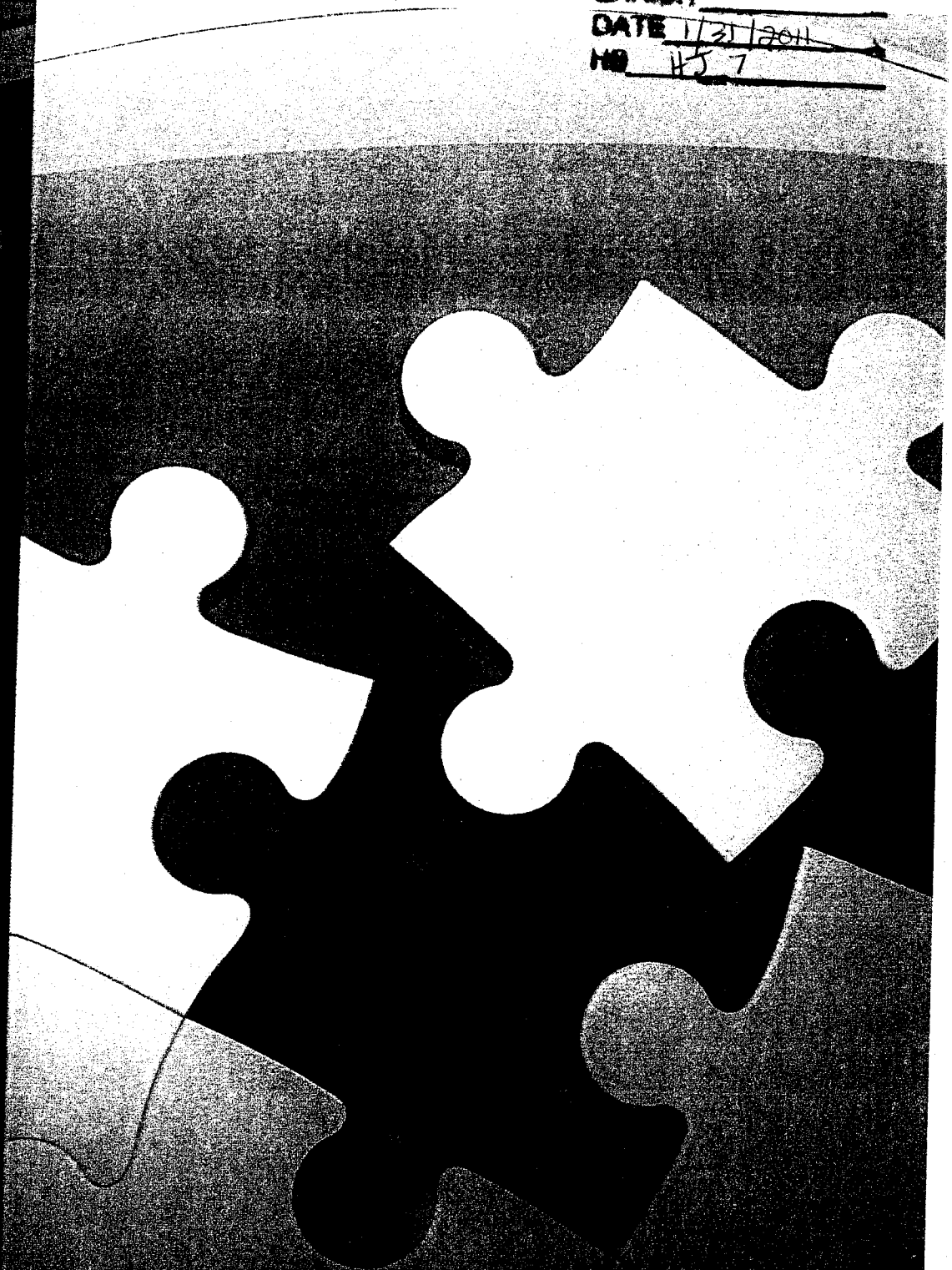

Merger/Consolidation of School Districts:

Does it save money and improve student achievement?

April 2009

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Merger/Consolidation of School Districts:

Does it save money and improve student achievement?

Nationally, increasing school taxes, student test score debates, political action/taxpayer groups, declining enrollments and communities in transition, along with many other elements, are combining to generate either considerable debate or legislative action to reduce the number of school districts.

Pennsylvania's Gov. Edward G. Rendell entered the state into a debate over the consolidation of school districts as part of his budget address to the legislature in February 2009. The governor recommended the wholesale consolidation of the number of school districts from 501 to 100. No reason was given for the choice of 100 districts.

While the governor is proposing consolidation starting in July 2009, Pennsylvania will have its first merger (a voluntary merger) since the legislatively mandated consolidation of the 1960s and the federal court-ordered merger of five districts into one during the 1970s.

The national debate, like the one in Pennsylvania, also focuses on two key arguments to justify consolidation of school districts:

- The potential to save money, or as Gov. Rendell suggested, a means of helping to ease the burden on property taxpayers.
- To improve student education/achievement.

Unfortunately, school boards and legislatures have made many of the consolidation decisions with little or no substantial evidence to support their arguments. This paper examines the history of merger/consolidation and what the research shows regarding merger/consolidation. There are also a number of recommendations related to merger.

Is the term 'merger' or 'consolidation'?[1]

The words merger and consolidation often are used interchangeably in the debate. And, like any other debate, the terms being used can mask the intent of those pushing for merger and, therefore, require clear definition. Will districts be merged or consolidated? Does proposed merger include the consolidation of buildings? Under municipal law in Pennsylvania (Act 90 of 1994), "consolidation" means the elimination of existing governmental entities and creation of a new governmental entity, while "merger" means one of the governmental entities from the original group remains.

In school terms, merger implies the combining of two or more districts with the intent of eliminating an administrative group and/or duplicate programs. Consolidation implies wholesale reduction in the number of districts and closure of buildings including elimination of duplicate programs and elimination of staff. Unfortunately, the history of school merger shows that there is little difference in outcomes. This may be a case of a difference without distinction. **For this paper, merger implies the combination of two or three districts while the term consolidation implies the wholesale reduction in the number of districts.**

[1] This section is reprinted from an article appearing in the *PSBA Bulletin*, published by the Pennsylvania School Boards Association, December 2006.

Recommendations:

The conclusions of the analysis indicate that several specific needs exist in attempting to address school district mergers. PSBA has and will continue to support local district choice related to merger/consolidation. PSBA recommends the following actions to improve the process:

- **Legislative mandates for consolidations or mergers are not sound policy and should not occur because:**
  - They do not have the necessary due diligence outlined in Appendix A.
  - They do not have the necessary input from those directly affected.
  - The research shows adverse student achievement.
  - The research shows no documented savings.
  - There is a lack of consideration for geographic and demographic elements of the resulting school districts.
- **Mergers have substantial local impact, and local districts need to have a clear voice in the ultimate result.**
- **If the state wants to reduce the number of districts, it needs to encourage merger by providing incentives and assistance, such as:**
  - Funding for front-end costs.
  - Financial assistance to address "leveling up," or legislative relief.
  - Technical assistance to districts for merger studies.
  - Technical and financial assistance with curriculum alignment.
  - Financial assistance to cover administrative costs, such as letterhead, name changes, etc.
- **The Center-Monaca merger identified the lack of a clearly defined process for completing the merger. The state needs to formalize and document the process used by Center-Monaca for other districts interested in merger, such as:**
  - Clearly define the process required by the Secretary of Education.
  - Clearly define the process required by the State Board of Education.

A brief history of merger/consolidation

The National Center for Education Statistics began keeping track of the number of U.S. schools and districts beginning with the 1937-38 school year. The Pennsylvania Department of Education also has maintained data on the number of districts dating to the 1900s. NCES data show that more than 117,000 school districts operated in the U.S. in 1937-38. These districts supported about 250,000 public school buildings. Over the ensuing 60 years, the number declined to fewer than 15,000 districts. During this same 60-year period, the number of school buildings declined by almost 158,000, to just more than 92,000 buildings at present. As district/building reductions occurred, the number of public school students almost doubled (from just more than 25 million to almost 50 million). This change has been characterized as moving from an era of one-room schools to consolidated schools. A smaller number of administrative structures support the smaller number of consolidated schools. This does not necessarily mean fewer administrators.

Table 1
Number of school districts in Pennsyvania
(10-year intervals)

School Year	Number of Districts	Change in Districts
1899-00	2,510	--
1909-10	2,599	89
1919-20	2,590	(9)
1929-30	2,585	(5)
1939-40	2,552	(33)
1949-50	2,530	(22)
1959-60	2,277	(253)
1969-70	669	(1,608)
1979-80	505	(164)
1989-90	501	(4)
1999-00	501	--
2009-10**	500	(1)

** Reflects the merger of Center Area SD and Monaca SD into Central Valley SD.
Source: PA Department of Education, Division of Educational Statistics

Pennsylvania followed a similar pattern, as shown in Table 1. The largest decline in the number of districts occurred as the result of a series of three separate legislative actions in the 1960s. Act 561 of 1961 attempted to reduce the number of districts to one-fourth of the then existing 2,277 districts. Act 299 of 1963, which amended Act 561 of 1961, added incentives for consolidation by providing for special payments to union and merged districts, as well as jointures and newly established school districts. Act 150 of 1968 amended both Acts 561 and 299 by providing for additional consolidations for those districts that were not included in previous consolidations.

The number of districts in Pennsylvania was reduced from a high of 2,599 in 1909-10 to 505 in 1979-80. The final reduction from 505 to 501 was the result of a federal desegregation lawsuit involving five districts in Allegheny County. Consolidation in the 1960s required three separate pieces of legislation to achieve consolidation that serves to highlight the significance of politics in the process. The extent of financial incentives included in Act 299 of 1963 shows the importance of economic incentives for merger/consolidation.

Beginning with the school fiscal year 2009-10, the number of districts in Pennsylvania will decline by one as the result of the merger of Center and Monaca school districts in Beaver County into the Central Valley School District. The Central Valley merger is the first voluntary merger in the state.

Analysis of the 1960s consolidation

The legislative mandate for consolidation and school reorganization in the 1960s was called a mixed blessing. PSBA, in "The First 150 Years of Education in Pennsylvania," described the consolidation as follows:

> "In retrospect, the passage of Act 299 was a mixed blessing. The larger school districts did provide for economies of scale, as Conant had indicated.[2] The merging of various elementary school programs assured greater uniformity. Supervision was improved, particularly in the elementary schools, for with larger schools

[2] Conant is in reference to "The Conant Report" issued in 1958. The Carnegie Corporation of New York had commissioned a study in early 1957 of the American high school. James Bryant Conant was the chief investigator.

it was possible to separate the functions of teaching and administration to have full-time elementary school principals.

"Perhaps a major unexpected consequence of the larger administrative units was in gradually building a spirit of community. Particularly in rural areas, the high schools became community centers with which the people in the geographical region identified. The concepts of larger units to provide for functional education applied in the 1960s and 1970s as area vocational-technical schools were supported.

"But there have been negatives in the operation of school district reorganization. In some cases, the school entities were so large that students and faculty felt that schools had become bureaucratic and depersonalized. School districts overbuilt and were forced to close schools when school-age population declined in the 1970s and 1980s.

"...Ironically, American education is engaged in an analysis and critique similar to that of the late 1950s and early 1960s. We would do well to review the conditions and actions of 20 years ago before moving too rapidly in mid-1980-style school reform."[3]

Again in 2009, the debate of the mid-1960s and the mid- 1980s is occurring, and a review of the conditions and actions of the 1960s is still not complete.

PA school board role in merger

The merger of Center Area and Monaca school districts occurred under current law.[4] The issue of merger can be raised by any of a number of stakeholders as demonstrated by the governor. Stakeholders include other board members and other districts, along with residents, administrators, legislators, the general public or the media. Does raising the level of debate require a school board to act? The obvious answer is no, unless the legislature mandates such action. However, discussions of school district merger should be reviewed carefully. What may look like an easy choice may not be as obvious as it appears.

Under Pennsylvania law, most often school boards are the final decision-makers about merger actions pertaining to their own district. However, as was experienced in Pennsylvania during the 1960s, or as the result of court action, districts can be forced to merge.

The Pennsylvania School Code (24 P.S. 2-224) provides that two or more districts may merge based on an affirmative vote of each of the individual district boards. While there are some additional actions and a review by the State Board of Education, the ultimate future of the district rests with the local school boards. Pursuant to the School Code (24 P.S. 2-225), all assets (property and taxes receivable) and liabilities (outstanding debt and unpaid obligations) become the responsibility of the resulting merged district. There are no special exceptions for, or specific language related to, the continuation and resulting combination of labor contracts.

Board responsibility for 'due diligence'

The clearly defined responsibility of Pennsylvania school boards in the merger of districts sets a clear requirement that school boards have routinely undertaken due diligence as part of any discussion. This due diligence takes place in three parts. The first is serious discussion about the potential for merger. This is followed by formal study, with the third part being implementation of the merger.

In a report by the Pennsylvania Economy League commissioned by the Pennsylvania School Boards Association, PEL identified a series of actions that are essential to undertaking the due-diligence process for merger. A summary checklist of actions is presented in Appendix A of this paper, and details appear on the PSBA Web site, www.psba.org.

Over the past 20 years, there have been a number of studies related to district merger. The discussions related to the potential for merger exceed the number of studies actually performed.

[3] "The First 150 Years of Education in Pennsylvania," PSBA, Harrisburg, PA, November 1984. The publication was written by Dr. Robert L. Leight.

[4] Current law is defined in the Pennsylvania School Code 24 P.S. Section 2-224. The only requirement is an affirmative vote of the school boards of all districts to be merged and the approval of the Secretary of Education for Pennsylvania along with approval of the State Board of Education.

The Center Area-Monaca merger had at least one prior study.[5]

Over the past several years, PSBA has been involved in discussions with other districts that initiated public discussion of voluntary mergers. These discussions included South Eastern Greene, Carmichaels and Jefferson-Morgan school districts in Greene County; Clarion and Clarion-Limestone districts in Clarion County; and Millersburg Area, Halifax and Upper Dauphin districts in Dauphin County. Among these three merger discussions, only Millersburg Area and Halifax school districts moved on to a formal study.[6] The result of the study was a vote by both school boards against merger but to continue cooperative efforts in areas identified in the study.[7]

The argument that consolidation saves money is based on the premise of economy of scale.

The governor's proposed consolidation of school districts does not include the necessary due diligence required of the local school boards. The governor's proposal calls for legislative study and action to implement and a failure by the legislature to implement results in deferral to the governor's office for action. In either case, the recommendation does not include the detailed due diligence outlined in Appendix A.

Recent action in other states

According to the National Council of State Legislatures, as supported by follow-up with several state school boards associations, 12 states have active proposals or legislation on reducing the number of districts and/or buildings. Some of the legislative initiatives encourage merged districts and consolidation buildings. Some states mandate merger of districts and consolidation of buildings.

Appendix B presents a brief summary of the proposals on merger/consolidation for the various states. In most states where legislation has been enacted, the focus is the elimination of small school buildings and/or districts. This legislative action implies that larger districts/buildings are more cost effective and produce better academic results compared with small districts/buildings.

Among the 12 states shown in Appendix B, four are clearly targeting consolidation to eliminate smaller school districts. Two of the states are focusing on consolidation efforts to combine elementary and secondary districts into K-12 districts. Only one state is providing financial support for consolidation. Two states are imposing financial penalties for not consolidating.

According to Dale Douglass, executive director of the Maine School Boards Association, the legislation forcing merger of districts in Maine "contained a provision for local districts to vote to reject merger." He noted that this provision also contained what could be termed a "poison pill" by forcing financial penalties on the local taxpayers. At present, there are still 218 of the original 290 districts in Maine; many of the remaining districts voted to reject merger, according to documentation from the Maine School Superintendents Association.[8]

While there were state-level reports in many of these states recommending merger of districts, there was no reference to local or public input. As exhibited in Maine, when given the choice, the local districts chose to accept the financial penalty to maintain local control.

The political arguments for merger

There are two interesting results presented in the research. Advocates for merger have offered that merger would:

- Save money through improved efficiency resulting from economies of scale.
- Improve student outcomes by providing greater access to educational resources.

A subset of the save-money argument includes:

- Need for fewer buildings.

[5] Statement made by Dr. Dan Matsook, superintendent of Center Area SD, during the October 2008 PASA-PSBA School Leadership Conference.
[6] Merger status was verified with phone conversations with district staff in January 2009. The Millersburg-Halifax study was completed in February 2008 by the Pennsylvania Economy League and Hayes Large Architects.
[7] Status verified by phone call with the districts in February 2009.
[8] Correspondence provided by Victoria Wallack, communications director, Maine School Superintendents Association, dated March 6, 2009.

- Need for fewer superintendents and other key positions.
- Better allocation of teachers to offer additional courses.

Financial savings: What does the research offer?

The primary reason for merger/consolidation offered by those advocating for district merger/consolidation is alleged financial savings. The studies that are available regarding a proposed merger typically reflect potential savings, yet there is an obvious absence of documented follow-up financial analysis to determine if the alleged savings actually materialized. According to the information as presented in Appendix B, three states viewed consolidation as a means of saving money.

The argument that consolidation saves money is based on the premise of economy of scale. Under this premise, it is assumed that larger is more efficient, and therefore, savings will accrue by making districts and buildings larger. Catherine Reilly (2004) indicates that as the number of pupils increases from a very low point, the cost per pupil declines but reaches a point of leveling off followed by increase in per pupil costs, producing a diseconomy of scale. Available research has focused more on the size of buildings than districts. None of the research has addressed legal requirements imposed upon districts in regard to staffing requirements. Allan Odden and Larry Picus offer: "Analysts, however, argue that the expected cost savings from massive school and district consolidation have not been realized."[9]

Among rural schools, costs per pupil may decline as the result of merger. However, these cost savings may be offset by increased transportation costs. The Standard & Poor's analysis, in its June 2007 study for the Pennsylvania Legislature, suggested the potential for merger among many rural districts. The study did not include the impact of transportation or any analysis of debt financing requirements. The S&P study also ignored salary schedule differences between districts.

A study by the Nevada Policy Research Institute reported another financial aspect of merger: "...as school district size increases, the percent of budgets spent on teachers, books and materials actually tends to decline." The implication is that when districts are merged, the total dollars expended do not increase proportionally when students are added. Rather, resources remain constant and are distributed across more students (Schmidt and Schlottmann, 2005).

John Wenders, in a Fordham Foundation Report (2003), notes, "If the history of public education tells us anything, district consolidation and the inevitable school consolidation that follows are generally both bad ideas. In the short run, consolidation promises lower costs and taxes and better student performance. But neither happens."

The study of merger for Millersburg Area SD with Halifax SD was rejected by both school boards. The primary reason was the financial impact of leveling up salaries and the failure of staffing realignments to provide for additional educational opportunities for students of the merged district.[10]

Student achievement: What does the research offer?

As part of the research on merger/consolidation and student achievement, there are consistent reports that mergers of districts usually result in buildings being closed. The result of building closings is an examination of student outcomes in the larger buildings.

One study (Howley, Howley and Johnson, 2002) examined scores on seven state-required tests in every Arkansas school consolidation and concluded that:

- The small schools in high-poverty communities produced higher student achievement than the larger consolidated buildings.
- Higher achievement in small schools narrowed the gap between students from affluent and poor communities.
- Small schools are more effective against poverty when they were part of small districts.
- Poverty exerts a larger detrimental effect in large schools in large districts.

[9] Odden, Allan R., and Picus, Lawrence O. "School Finance: A Policy Perspective," Fourth Edition, McGraw-Hill, New York, 2008, Chapter 4, Page 91.

[10] Sherri-Lee Knorr, superintendent, Millersburg ASD, estimated that the cost of leveling up salaries was about $500,000. The staff realignment analysis indicated that no expansion of programs was possible with current staff.

Merger/Consolidation of School Districts:

Does it save money and improve student achievement?

Executive Summary

Pennsylvania's Gov. Edward G. Rendell entered the state into a debate about consolidation of school districts as part of his budget address to the legislature in February 2009. The governor recommended the wholesale consolidation in the number of school districts from 501 to 100.

The Pennsylvania School Boards Association recognizes that there are some districts that may ultimately need to merge with an adjacent district. PSBA has and will continue to support local school district choice because of the significant local impact of school district merger. PSBA made a commitment to local choice by contracting with the Pennsylvania Economy League to produce a merger checklist for school districts interested in examining the potential. The full PEL report is available on the PSBA Web site at www.psba.org.

PSBA has and will continue to support local school district choice because of the significant local impact of school district merger.

Beginning with the new school fiscal year starting July 2009, Pennsylvania will have its first merger since the legislatively mandated consolidations of the 1960s and the federal court ordered merger of five districts into one during the 1970s. This is the voluntary merger of Center and Monaca school districts in Beaver County into Central Valley School District that took more than two-and-a-half years to achieve.

Merger and consolidation have been used interchangeably in the debate. For purposes of this paper, "merger" is combining two or three districts while "consolidation" implies either the wholesale reduction of the number of school districts or the closure of buildings.

The national debate, like the one in Pennsylvania, focuses on two key arguments to justify consolidation of school districts:

- The potential to save money or, as Gov. Rendell suggested, a means of helping to ease the burden on property taxpayers.
- To improve student education/achievement.

Examining Pennsylvania's forced consolidation of school districts in the 1960s provides little factual data concerning the financial, political and educa-

tional aspects of this mandate. What is known is that during the 1960s, there was a decline in the number of districts from 2,277 to 669. This was followed by a second decline in the 1970s from 669 to 505 districts. The 505 were reduced to 501 as the result of federal antidiscrimination litigation that lasted from 1970 to 1981. Analysis of the last merger shows that the total salary dollars, as well as total expenditures, increased.

There is no evidence that consolidation of schools will result in reduced expenses.

Nationally, there are currently 12 states with initiatives or legislative mandates concerning merger and consolidation. Among these states, four are clearly targeting merger to eliminate smaller schools with the goal of saving money.

The results of the 1960s consolidation were, both nationally and in Pennsylvania:

- The addition of full-time elementary school principals (to improve supervision).
- Larger systems or administrative units.
  - Some school entities became so large that students, parents and faculty felt that schools had become bureaucratic and depersonalized.
  - Most districts were required to rebuild a sense of community.
  - Some districts needed to build more facilities to accommodate the larger student enrollments and later needed to close schools when school-age population declined.
- High schools became community centers in rural areas.

There is no evidence that consolidation of schools will result in reduced expenses. The analysis of Woodland Hills shows cost increases. Analysis of a potential merger of York County School Districts shows that substantial tax increases would be necessary. Consolidations that have occurred have not produced the promised savings. Rather, consolidations and mergers have substantial front-end costs, such as "leveling up." Also, there are a number of items that provide front-end costs that individually are small but collectively can approach substantial sums in the hundreds of thousands of dollars.

The evidence shows that consolidations have an adverse impact on academic achievement. The studies by a number of researchers around the nation have documented no improvement. Rather, they have confirmed adverse impact on student performance.

Consolidations also have produced a sense of loss of community. This loss forced districts in Pennsylvania to rebuild the sense of community as the result of the mergers in the 1960s.

Pennsylvania school boards have gone to extensive lengths regarding due diligence in studying the potential for merger. The failure of districts to complete the merger has produced increased cooperation between districts. In the case of Millersburg-Halifax discussions in Dauphin County, the motion in both districts was to reject merger, but it did contain provisions to seek additional ways to expand cooperation between districts. Similar cooperative efforts have occurred between districts in other merger discussions.

Merger has substantial impact on local communities, both financially and educationally. Because of the local impact, local choice is the critical element to a successful merger. As part of the success of merger, due diligence in merger discussions is critical.

Where mergers have been studied, the result often has been a rejection of merger. However, as the Millersburg-Halifax case shows, such studies can and do lead to greater cooperation.

Research findings:

The merger/consolidation research shows:

- There are no documented cases of financial savings from merger/consolidation.
- Merger/consolidation has had a negative impact on student achievement.
- The potential for adverse economic impact on smaller communities that lose facilities exists.

- Smaller schools significantly counteracted poverty's power to lower student achievement.
- By eighth grade, poverty disappears as a factor in student performance in smaller schools.

A study by the Manhattan Institute (Greene and Winters, 2005) found that decreasing the size of school districts has a substantial and statistically significant positive effect on graduation rates. Conversely, consolidation of school districts produces larger units and leads to more students dropping out of high school. In this study, the apparent reason for the beneficial effect was the ability of parents to choose among a greater number of small districts. A 2002 study commissioned by the Washington State School Directors' Association (Martin et al, 2002) replicated the findings of a study involving Georgia.[11]

Students in larger schools tend to be more disconnected, which often requires special programs to address dropouts and discipline.

An article in the *American School Boards Journal* (Black, 2006) states that, "data from the Matthew Project indicate that students from impoverished communities benefit from attending small schools, which are often rural. On the other hand, students from affluent communities tend to benefit from larger schools."

Some studies that focus on outcomes (such as achievement, completion and attendance) often recommend smaller buildings or districts (Howley, 1994). Howley also concluded that research based on inputs (e.g., teacher salaries, instructional materials, specialized staffing) usually recommend merger or consolidation.

The appropriate size of buildings often becomes the focus of discussion where merger has occurred. The National Association of Secondary School Principals in its study, "Breaking Ranks," makes the key point that students learn best in schools with about 600 students.

Rural school districts have in some cases taken the lead in incorporating technology to address student achievement and expand educational opportunities. This has been clearly demonstrated across Pennsylvania with the implementation of blendedschools.net and other technological application to curriculum. These approaches take a shared or cooperative approach but do have associated costs.

Sense of 'community': What does the research offer?

Several articles address "community." Community includes access by stakeholders to those in control, identifiable elements of the school population, student participation in extracurricular activities and various other socioeconomic components. As districts and schools become larger, those who make decisions affecting the population become more removed from those most affected. The element of distance between decision-makers and those affected is critical to local control. This loss of local control becomes very important when considering the potential benefits of consolidation. Wenders (2003) notes, "Over the longer haul, consolidation sucks power upward, and away from parents, students and local conditions, to centralized political arrangements where unions and other special interests have more political clout."

In smaller schools, most staff knows the students by name. Studies by Howley, Raywid and others have found that in larger schools, the sense of belonging and cohesiveness is diminished. Students in larger schools tend to be more disconnected, which often requires special programs to address dropouts and discipline. The lack of a sense of community and the related connection in larger schools exacerbate limited opportunity to participate in extracurricular activities. After all, there are only so many roles in the class play and positions on various athletic teams.

Raywid (1999) observes that studies based on the value of community usually recommend sizes smaller than those based on outcomes. Thus, researchers and policy analysts who are most concerned with community (Sergiovanni, 1994) will tend to recommend the smaller schools for nearly everyone, while those concerned with outcomes often will recommend larger

[11] The Matthew Project, Bickel and Howley, 2002, regarding student performance and size of buildings in merged districts. Georgia was part of the Matthew Project.

schools, except for a select portion of the population for which they will recommend small schools.

According to Raywid (1996), "Research evidence is strong that small schools benefit the entire school community. Small schools are particularly beneficial for disadvantaged youth, who profit from the extra attention and the sense of belonging promoted in a small school."

A recent study by Johnson (2002) for the Rural School and Community Trust looked at the impact of the consolidation in Arkansas. The Arkansas law required school districts with fewer than 350 students to merge administrations with another district. The law also required buildings with fewer than 350 students to be consolidated with other buildings. About one-third of the buildings in the merged districts were closed. According to the study, merger of districts and associated school consolidation often leads to destruction of the sense of community. The report further indicated that building closure tended to lead to a period of economic decline in those areas that lost buildings.

In a PEL study of a potential merger in the late 1980s for the districts of Meyersdale and Salisbury-Elk Lick in Somerset County, the Meyersdale School Board was concerned with the adverse economic impact of the potential closure of the Meyersdale building.[12]

ing agreements occurred after the mergers of the 1960s reduced the number of potential bargaining groups. During the merger debates of the 1950s and 1960s, both nationally and in Pennsylvania, the National Education Association was a strong advocate of consolidation. Prior to these mergers, there was a statewide salary schedule. This schedule was a minimum schedule with steps based on seniority and columns based on education level and duties. Experience from the mergers of the 1960s provides the basis for "leveling up" of salaries.

The "leveling up" of salaries is tied to the Pennsylvania School Code. The School Code requires that teachers may not be terminated for financial reasons. The School Code also provides that a reduction in salary constitutes a demotion and provides for an administrative hearing, with limited reasons for demotion.[14]

Table 2 presents some limited personnel and related salary data from the last merger in Pennsylvania for analyzing the impact of "leveling up." The districts of Churchill Area, Edgewood, General Braddock, Swissvale Area and Turtle Creek Area were merged into Woodland Hills as part of a federal court desegregation lawsuit. This merger occurred during the transition of a state-required school accounting system and thus, limited data is available during the initial merger years. Litigation and resulting federal court involvement over the merger spanned a 10-year time period, and the court's final order implementing merger began with the 1981-82 school year.

Table 2
Financial Analysis of the Woodland Hills Merger

Year	Professional Payroll	Total Professional Staff	Total Expenditures	Average Daily Membership
1976-77	$10,286,862	749	$20,104,726	10,031
1979-80	$11,252,729	665	$25,324,379	8,873
1980-81	$11,601,580	629	$23,154,266	9,008
1984-85	$14,307,160	542	$31,470,677	6,923

Source: PA Dept of Education, Statistical reports for years included in table

Salary schedule differences in Pennsylvania – 'Leveling up'

Analysis of merger in Pennsylvania will need to address salary schedule differences. Under Pennsylvania law, school districts have the obligation to negotiate labor agreements. Each district is its own unique bargaining unit, and as such, there are currently 500 different collective bargaining agreements.[13] It is interesting to note that the development of unions and collective bargain-

[12] Meyersdale operates a K-12 building that was older than buildings in Salisbury-Elk Lick. There also was available space to house all of the Meyersdale students in the Salisbury-Elk Lick buildings.

[13] Collective bargaining began about 1970 pursuant to Act 195 of 1970. While there are 501 school districts in Pennsylvania, one district contracts out all of its students; therefore, only 500 collective bargaining agreements exist.

[14] The no layoff and demotion are found in 24 P.S. Section 11-1125 and 11-1151 respectively. Pennsylvania law does not permit demotion (defined as including reduction in pay) of employees without due process.

In the Woodland Hills merger, the average daily membership and total professional staff declined pre-merger to post-merger, based on the available data shown in Table 2. While there may have been some savings from a reduction in the number of staff, the total payroll costs increased, and this seems almost counterintuitive. Likewise, the total expenditures increased while the average daily membership continued to decline.

At the time of the Woodland Hills merger, all districts involved had been unionized with established labor contracts for professional staff that included teachers and other certified personnel. One of the impacts of merger is the consolidation of employees under a single collective bargaining agreement. Under the Pennsylvania School Code (24 P.S. 11-1124), a merger is a permitted reason for reduction of staff, as is alteration of educational programs or a substantial decrease in student enrollment.

Operating under the assumption that the individuals were placed on the higher schedule, an estimate of the increase in salaries to the highest district average is presented in Table 3. The data in Table 2 show an overall increase of payroll of $2,705,580 between 1980-81 and 1984-85, while the adjustment calculated in Table 3 shows in increase of $443,880 in salaries for 1980-81 to 1981-82. Additionally, the data in Table 2 show a decline in the total number of staff from 629 to 542 (a difference of 87). Under state law and typical collective bargaining language, any reduction in staff is based on seniority or, more correctly, the least senior person is out of work. Thus, those who remain tend to be higher on the salary schedule. If all of the least senior staff were equally distributed across all districts, all of the averages would rise proportionally.

Also shown in Table 2 is the increase of total cost, which increased by $8,316,411 between 1980-81 and 1984-85. From the limited financial data available, along with the oversight of the federal district court in implementing the merger, it is unclear where savings resulted and where new/increased expenditures occurred.

If any buildings were closed between 1980-81 and 1984-85, it is likely that a number of these buildings were still owned by the district and being at least minimally maintained, and the cost of additional transportation had substantially increased to offset any savings from reductions in professional staff.

The limited financial data available from the last merger in Pennsylvania suggests that, while financial savings may have been expected, the actual result was increasing payroll costs by an average of $676,395 per year (5.83%).

Over the past 10 years, merger/consolidation has been subject to extensive debate. Beginning in 1996, the *York Daily Record* and York Newspaper Company, along with substantial support from the business community, commissioned a study by David Rusk. The primary focus of the report was to examine the potential for development, address urban sprawl and look at the future of York County. As part of the report, the idea of consolidation, of not only municipal governments, but also of school districts, was presented.

In 2002, the business community revisited the original study. This report, referred to as the Rusk II Report, took direct aim at school district consolidation with the headline: "Staggering dis-

Table 3
Estimate of Payroll Cost Increase Raising District Average to Highest Average

District	1980-81 Payroll	1980-81 Staff	1980-81 Average Salary	Difference to Highest Average	To raise to Highest Average
Churchill	$4,485,700	236	$19,007	143	$33,748
Edgewood	$957,494	50	$19,150	0	$0
Gen. Braddock	$2,607,989	137	$19,036	114	$15,618
Swissvale	$2,081,026	123	$16,919	2,231	$274,413
Turtle Creek	$1,469,371	83	$17,703	1,447	$120,101
Total	$11,601,580	629	N/A	N/A	$443,880

Source: PA Department of Education statistical reports 1980-81

parities between county schools." Here, as with the general literature, the focus is on student performance. Only in this report, a case is made for improving test scores in the City of York through consolidation of school districts. Both Rusk reports created expanded discussion of the potential for merger/consolidation – the second more than the first. While the implication in Rusk II was more direct than Rusk I, the target appears to be a redistribution of tax revenue back to the urban center, rather than a savings of tax dollars. Interestingly, the argument in support of merger/consolidation was improvement in student performance through resource sharing/redistribution.

As part of this discussion, Rep. Ron Miller (R-Dallastown) requested an analysis of the cost of consolidation in York County. While the information was limited, PSBA did prepare an analysis of the impact of merger/consolidation on the average teacher salary and the potential tax impact of such action.

Analysis of a potential York County merger – Teacher salary costs

Appendix C presents the analysis, prepared for Rep. Miller, of the impact of merger based only on teacher salaries. In this case, the salary is based on a combined salary matrix for York County school districts. The combined matrix was based on the highest salary for each step/column of the pay scale. Total bargaining unit membership along with placement for 2005-06 was confirmed with the districts. The resulting calculation was the number of teachers by step/column multiplied by the appropriate salary from the combined matrix, with the totals calculated by district.

Appendix C shows the current salary along with the new salary by column on the combined salary schedule. Because increased expenditures would result in increased contributions for retirement (PSERS) and Social Security/Medicare, increases are calculated. The state funding includes proportional subsidy for these two items. The district share under a merger is assumed to be 50% for this analysis. No assumption was made regarding changes in teaching staff and related redistribution among existing buildings. The average salary would increase from $43,496 to $56,482, or by $12,986 per teacher, merely through consolidation to a single matrix.

Table 4 presents a summary of the tax impact resulting from the increased salary and associated costs. A collection rate of 95% is assumed for the analysis. However, the actual combined collection rate may be slightly lower. The estimate of tax rate impact is based on the amount of revenue required to support the increased salary and associated cost estimate.

Some reduction of teacher cost should be anticipated. However, this would require a detailed analysis of curriculum, a review of building capacity throughout the county and the need to consider redistribution of students and related costs of transportation.

Table 4
Calculation of real estate tax impact
Based on salary schedule change only

Item	Amount	Notes
Taxable Assessed Value	$15,656,921,369	Does not include Dover, West Shore and Northern York County school districts
Value of 1 mill	$15,656,921	
Collection rate	95%	
Estimate 1 mill collected	$14,874,075	
Total Cost Increase	$54,871,929	Does not include Dover, York Vo-Tech, West Shore and Northern York County school districts.
Additional mills countywide to fund the salary, retirement and SS/Medicare increase	3.6891	This would be levied on all properties in the county included in the analysis.

In the Rusk II report, a more regional approach was offered. In the second report, the proposal offered a division of the county along an economic/demographic structure. In this type of merger, it is expected that the cost increase would not be as significant as anticipated under a countywide plan.

Findings in Millersburg Area-Halifax

The financial impact of merging was estimated to exceed $500,000 by the Millersburg Area-Halifax school districts. The situation is associated with the separate collective bargaining agreements. An analysis of the "leveling up" disclosed some surprising elements of the two districts. In one district, the salary schedule was higher in the top steps while the current members of the bargaining unit were at the bottom. In the other district, the reverse occurred: the schedule was higher in the bottom steps with most of the current members at the top of the schedule. The "leveling up" would have provided substantial increases to the staff in both districts, producing the estimate of $500,000.[15] This increase was more than any potential reduction in administrative duplication.

There is no evidence that consolidation of schools will result in reduced expenses.

Other financial issues

There are a number of financial issues that will occur as a merger takes place, usually referred to as front-end costs. Some of these may be only a few hundred dollars while others could be a hundred thousand dollars. But collectively, these costs could be substantial when taken in total. Oftentimes, these costs are not considered until the last stage of merger. Front-end costs include:

- Student-related actions, such as additional textbooks and curriculum materials, if the districts are not using the same books or curriculum.
- Connecting classroom computers between districts and providing for additional software for consistency.
- Revising transportation schedules or rebidding contracts for transportation.
- Cost of labor counsel to renegotiate a consolidated collective bargaining agreement.
- Legal review of existing service contracts, along with making any necessary corrections, amendments or terminations.
- Changes to district signs and letterhead to reflect the new name and logo.
- Additional/new band and athletic uniforms.

Summary

The results of the 1960s consolidation both nationally and in Pennsylvania were:

- The addition of full-time elementary school principals (to improve supervision),
- Larger systems or administrative units:
  - Some school entities became so large that students, parents and faculty felt that schools had become bureaucratic and depersonalized.
  - Most districts were required to rebuild a sense of community.
  - Some districts needed to build more facilities to accommodate the larger student enrollments and later needed to close schools when school-age population declined.
- High schools became community centers in rural areas.

There is no evidence that consolidation of schools will result in reduced expenses. The analysis of Woodland Hills merger shows cost increases. Analysis of potential merger/consolidation of York County school districts shows that substantial tax increases would be necessary. Mergers and consolidations that have occurred have not produced the promised savings. Rather, mergers have substantial front-end costs such as "leveling up." There are also a number of items that provide additional front-end costs that individually may be considered small amounts but collectively can approach substantial sums in the hundreds of thousands of dollars.

The evidence shows that consolidations have an adverse impact on academic achievement. The

[15] Amount and issue discussed with Sherri-Lee Knorr, superintendent, Millersburg ASD.

studies by a number of researchers around the nation have documented adverse impact on student performance.

Mergers and consolidations have produced a sense of loss of community. This loss forced districts in Pennsylvania to rebuild the sense of community as the result of the mergers in the 1960s.

Pennsylvania school boards have gone to extensive lengths regarding due diligence in studying the potential for merger. The failure of districts to complete a merger has produced increased cooperation between districts. In the case of Millersburg Area-Halifax, the motions in both districts to reject merger contained provisions to seek additional ways to expand cooperation between districts. Similar cooperative efforts between districts resulted from other merger discussions.

While many state legislatures have passed consolidation legislation with the best of intentions, the results have not produced the intended results – saving money or improving student achievement. Merger is a very difficult choice and requires extensive analysis on the part of elected board members, administrators and the community.

Merger has substantial impact on local communities, both financially and educationally. Because of the local impact, local choice is a critical element to a successful merger. As part of the success of merger, due diligence in merger discussions is essential.

Where mergers have been studied, the result often has been a rejection of merger. However, as Millersburg and Halifax show, such studies can and do lead to greater cooperation.

Merger discussions have been productive even when merger was rejected. The productive element is usually expanded cooperation among districts involved in merger discussions.

Recommendations

The conclusions of the analysis indicate that several specific needs exist in attempting to address school district mergers. PSBA has and will continue to support local district choice related to merger/consolidation. PSBA recommends the following actions to improve the process:

- **Legislative mandates for consolidations or mergers are not sound policy and should not occur because:**
  - They do not have the necessary due diligence outlined in Appendix A.
  - They do not have the necessary input from those directly affected.
  - The research shows adverse student achievement.
  - The research shows no documented savings.
  - There is a lack of consideration for geographic and demographic elements of the resulting school districts.
- **Mergers have substantial local impact, and local districts need to have a clear voice in the ultimate result.**
- **Due diligence as outlined in Appendix A must take place.**
- **If the state wants to reduce the number of districts, it needs to encourage merger by providing incentives and assistance, such as:**
  - Funding for front-end costs.
  - Financial assistance to address "leveling up," or legislative relief from certain provisions of the School Code.
  - Technical assistance to districts for merger studies.
  - Technical and financial assistance with curriculum alignment.
  - Financial assistance to cover administrative costs such as letterhead, name changes, etc.
- **The Center Area-Monaca merger identified the lack of a clearly defined process for completing the merger. The state needs to formalize and document the process used by Center Area-Monaca for other districts interested in merger to:**
  - Clearly define the process required by the Secretary of Education.
  - Clearly define the process required by the State Board of Education.

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Appendix A

Appendix A[1]

Checklist Overview

The following checklist directs school districts and communities through data collection and analysis. It provides information for ongoing discussions and presents a common reference point to guide those discussions. **Note:** All data requirements set by the Pennsylvania Department of Education to date have been included in this checklist.

Deliberation	Identifying Potential Consolidation Partners	Ally With Districts: Academic Programs
1. Describe current school district environment 2. Generate predictive data 3. Perform an academic self assessment 4. Anticipate significant events or changes 5. Identify advantageous shared resource opportunities	1. District policies and procedures 2. General operations and staff levels 3. List of course offerings 4. Grade configurations 5. Facility capacity and use 6. Enrollment patterns 7. Achievement measures 8. Demographic characteristics and common sense of community	1. General overview 2. Curriculum development 3. Programs by grade level 4. Special education 5. Cross-district schools
Ally With Districts: Student Services	**Ally With Districts: District Governance**	**Ally With Districts: Staffing Patterns and Bargaining Agreements**
1. Student activities 2. Social activities 3. Athletic programs 4. Extracurricular and community programs	1. Administration 2. Strategic planning and curriculum development 3. Education partners 4. Special circumstances	1. Existing staffing 2. Collective bargaining agreements
Ally With Districts: Operations and Facilities	**Ally With Districts: Finances/Tax Base**	**Ally With Districts: Community Involvement**
1. Facility assessment 2. Facility cost estimates 3. Transportation analysis 4. Merging services and district operations	1. District revenues 2. Equalizing the tax base 3. Examining expenditures 4. Communications plan	1. Identify stakeholders 2. Setting expectations 3. Role of the community 4. Communications plan

[1]Prepared for the Pennsylvania School Boards Association by the Pennsylvania Economy League Inc. Full report available on the PSBA Web site at www.psba.org

Appendix B

Appendix B
Consolidation/Merger Proposals
Summary by State

State	Initiative/Legislative Summary
Arizona	In April 2005, the legislature established a School District Redistricting Commission. The SDRC is inviting public participation in its role to develop a plan that will go to the voters in 2008. The SDRC is to review all current common school districts that are not part of a unified school district for potential consolidation.
Arkansas	Arkansas Act 60 (HB 1109) provided for administrative consolidation or annexation, beginning July 1, 2004, of districts with fewer than 350 students.
California	In 2004, a program was established in several counties that authorizes county committee approval authority for petitions for merger.
Illinois	About half of Illinois's 889 districts are K-12. Currently, an elementary-only district is permitted to merge with the secondary attendance district but only by approval of all elementary districts using the secondary district. Proposed change: districts disapproving of merger would have five years to either change their mind or find another high school. The proposal also would allow elementary districts that feed the same high school district to merge even if the districts are not contiguous.
Iowa	A report of an education commission to study whether there should be a minimum size requirement for school districts was due to the legislature in 2007.
Kansas	A January 2006 report recommended two new alternatives for funding schools. The study has intensified calls for measures to reduce the number of school districts in the state.
Maine	A November 2005 draft report included recommendations for administrative consolidation to reduce the current 290 districts to 26. Implemented as part of the governor's budget in 2006.
Nebraska	A 2005 legislative initiative forces all public schools to become part of a K-12 system, reducing the number of school districts by almost half to about 270.
South Carolina	The legislature has proposed consolidation to pay for court-ordered funding of a K-3 program, yet a recent legislative study found that consolidation might lower student performance.
South Dakota	In 2004, the legislature provided special funding to reimburse districts for expenses of consolidation initiatives. Mergers will reduce the number of districts to 171, down from a high of 3,000 in the 1960s.
Texas	The legislature is looking at consolidation as means to address a State Supreme Court ruling that the current funding scheme is unconstitutional. A report with recommendations was due July 2006.
West Virginia	An aggressive school building consolidation policy has been pursued. Funding will be provided only for buildings with 1,000 or more students. More than 100 buildings are currently targeted in West Virginia's 55 countywide school districts.

Source: National Council of State Legislatures and state school board associations, 2007.

Appendix C
Analysis of York County Merger Impact on Salary Costs

York County Consolidation Estimate
Based on 2005-06 Salary and Placement Schedules

Column	Current Salary	New Salary	Increase	PSERS	FICA	Total Cost Increase	Staff	Average Salary Current	Average Salary New
Inst I	2,735,419	18,189,144	5,453,725	126,254	208,605	5,788,584	455	27,990	39,976
Inst II	4,786,118	42,665,668	17,879,550	413,912	683,893	18,977,354	862	28,754	49,496
M	54,479,407	65,331,248	10,851,841	251,220	415,083	11,518,144	1,126	48,383	58,021
M+15	21,870,470	24,557,174	2,686,704	62,197	102,766	2,851,668	419	52,197	58,609
M+30	15,958,711	27,251,273	11,292,562	261,423	431,940	11,985,925	432	36,941	63,082
M+45	15,490,017	17,984,682	2,494,665	57,751	95,421	2,647,837	265	58,453	67,867
M+60	27,837,536	28,876,180	1,038,644	24,045	39,728	1,102,417	422	65,966	68,427
Total	173,157,678	224,855,369	51,697,691	1,196,802	1,977,437	54,871,929	3,981	43,496	56,482
Average	43,496	56,482	12,986	601	993				

Source: District, collective bargaining agreements for 2005-06 and district business managers.

Notes:

1. Calculations do not include Dover ASD and York Vo-Tech; both were negotiating contacts for 2005-06 at the time of the analysis.
2. Calculations do not include West Shore SD (serves York and Cumberland counties) and Northern York County SD. Both districts are part of IU 15, while the balance of York County is part of IU 12.
3. Calculations of the new salary are based on the highest salary paid in step and column of the salary schedules for those districts included in the analysis. When merging districts, the assumption is that all salaries would be raised to the highest salary paid by column and step.
4. PSERS and FICA are based on 50% of the total cost.

The PSBA Education Research & Policy Center is an affiliate of the Pennsylvania School Boards Association. The PSBA Education Research & Policy Center is dedicated to the purpose of in-depth research and analysis of issues affecting public education in Pennsylvania.

Questions about school mergers and consolidation may be directed to: Dr. David Davare, PSBA director of Research Services, (800) 932-0588, ext. 3372, or dave.davare@psba.org.