



## **POLICY BRIEF: CONSOLIDATING SCHOOL DISTRICTS**

State officials on the two sides of the Delaware River have recently advocated consolidation of school districts. In early 2009, Pennsylvania's Governor Rendell announced that he favored reducing the number of separate districts across the state from 500 to only 100, and he suggested forming a legislative commission to study such a reduction. Governor Rendell's proposal echoed the findings of a 2007 study by Standard & Poor's commissioned by the Budget and Finance Committee of the General Assembly.<sup>1</sup> That study concluded that administrative savings could be realized from merging districts. Although some legislators supported the proposed study commission, the legislature did not fund it. However, one Pennsylvania legislator, Senator John Wosniak (D-Westmont), continued to pursue the idea of consolidation by introducing legislation in April 2010 (Senate Bill 1321) to require county officials to appoint a single school superintendent for their counties, a move intended to consolidate administrative operations like legal services, payroll, accounting, and purchasing. So far, the legislature has declined to enact such consolidation measures, but supporters are unlikely to give up fighting for them in the current budgetary climate.

Also in April 2010, two bills were introduced in the New Jersey legislature to consolidate that state's school administration at the county level. New Jersey currently has 600 separate districts. Under the proposed changes, local school boards would continue to exist but they would only be advisory to county-level school boards. Not long after the introduction of these bills, Governor Christie's Education Commissioner backed away from consolidation, fearing that it would "generate a lot of lawsuits and political acrimony,"<sup>2</sup> and recommending instead that more school districts share services voluntarily.

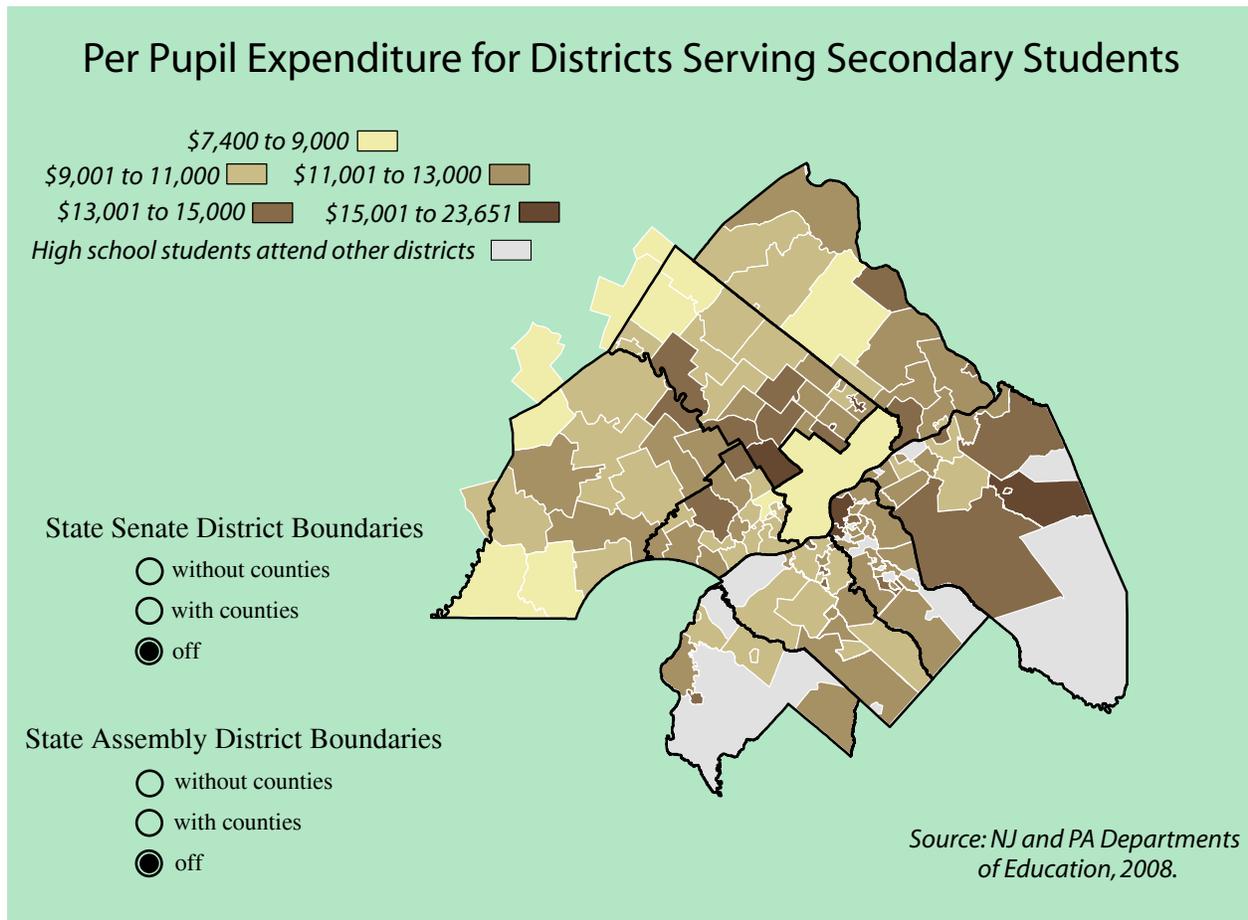
Proponents of consolidation, however, are unwilling to give up. Again in September 2010, a bill was introduced (Senate Bill 2261) to create 21 county-administered school districts for the entire state. If that legislation passes and is approved in county-wide referenda, all the administrative functions now carried out in local districts would be moved to county offices.

Plans to consolidate school districts are invariably judged on the basis of whether they save money for taxpayers. Proponents argue that consolidation would not only produce economies-of-scale in administrative services. It would also permit small districts to offer a wider range of courses. These include advanced placement courses which many small districts cannot now support. The ability to offer such courses could reduce college costs, which are an increasing burden for both government and families.

However, there has been little discussion of a different question which is more difficult to answer because it raises political rather than accounting issues. That question is how any consolidation measure would reconcile the substantial differences in the dollars being expended for instruction by different school districts. The variation in spending results from differing tax bases and tax rates, which would need to be harmonized as under Pennsylvania and New Jersey state constitutions, taxes must be levied uniformly within taxing jurisdictions.

The map included in this policy brief shows substantial differences in the dollars per pupil spent by different school districts, even districts that are located side-by-side.<sup>3</sup> The map classifies all districts into five categories, depending on how much they were spending in 2008-09 (the most recent year for which comparable data are available for New Jersey and Pennsylvania). The differences were substantial.

Districts in the lowest category spent under \$9000 per year on each student, whereas the districts in the highest category spent more than \$15,000. Between those two extremes are three other categories which were separated by \$2000 per pupil. That difference of \$2000 represents a significant jump in the resources available for instruction. Consider that for a class of 25 pupils, a gap of \$2000 per pupil would result in a total spending difference of \$50,000 per classroom.



With the exception of Philadelphia County in Pennsylvania and Salem County in New Jersey, every suburban county in the metropolitan area includes districts that fell into at least three different spending categories. (Bucks and Montgomery counties show the widest variation; both counties included districts falling into all five categories.) Thus, major financial adjustments would be required to harmonize spending across these counties. For example, teachers' pay would probably have to rise to the pay level prevailing in the highest-paying district, since it is unlikely that teachers in any of the participating districts would suffer pay cuts to bring them in line with lower-paid colleagues. This has been the experience in municipalities that have combined police forces; compensation for the new regional force is typically at the level of the higher paying municipality. The need for such an adjustment also has been a reason that some municipal consolidation and cost-sharing proposals have failed. In at least one respect, however, school compensation differences would be easier to overcome; unlike municipal workers who are members of more than 3000 separate pension systems in Pennsylvania, all school employees belong to a single statewide pension system.

Short of county-wide consolidations, reformers might consider combining smaller groups of contiguous districts. They could do this in at least two different ways. The map shows a geographic pattern of variation that would allow for consolidation of districts that exhibit similar spending records or districts with quite different records. One's preference between those options would depend on whether the goal were to equalize spending between districts that currently spend very different amounts, or simply to achieve cost savings by combining districts with similar expenditure levels while leaving spending differences relatively undisturbed.

Some policy makers see equalization as an important goal of consolidation. Donna Cooper, who served as Governor Rendell's deputy secretary for policy in spring 2009, clearly hoped that consolidation would reduce inequities among the districts: "When you ask Pennsylvanians if it is acceptable that, within a mile of each other, one child's education could be twice as well funded as another, the vast majority say it is not."<sup>4</sup> Following Cooper's logic, one might look at the map and imagine combinations like the following. In the middle section of Bucks County, the dark-colored district at the outer edge of the region is New Hope-Solebury, whose spending fell into the highest category in 2008-09 (over \$15,000 per pupil). Yet its neighboring district of Central Bucks was spending at the lowest rate (under \$9,000). Combining those two would require overcoming that dramatic discrepancy. Or consider a less extreme case like combining the districts that sit in the southwest corner of Chester County—districts that fall into the three lower spending categories on the map. A regional consolidation there would bridge a gap of more than \$4,000 per student between the lowest- and highest-spending districts.

Many of the proponents of consolidation see it less as a vehicle for equalizing expenditures among higher-spending and lower-spending communities, and more as an opportunity to cut the costs of the current fragmented pattern. Those people would be likely to look for opportunities to form alignments among districts that are spending roughly similar dollar amounts per pupil. The map shows a number of geographic clusters where expenditures looked roughly similar in 2008-09. For example, the central portion of Montgomery County contains a cluster of districts that all fell into the second-lowest category of expenditure (\$9,001-11,000). In the southern part of Bucks County, we see a group of districts that all had spending levels in the middle category (\$11,001-13,000). Similarly in New Jersey, near the northern border of Camden counties sits a group of districts whose spending fell into the middle category. In the northwest portion of Gloucester County, the map shows a group of districts at the second-lowest level of spending.

What are the chances that public officials in either New Jersey or Pennsylvania would pursue school consolidation? Obviously, a critical factor influencing public officials is how voters regard proposals for consolidation. We have fairly recent evidence from New Jersey. The voters of New Jersey might well resist such plans, according to a poll conducted by the Rutgers-Eagleton Institute in April 2010. That poll found that while about half of New Jersey residents think there are too many local governments (providing police, fire, trash services, etc.), they are less likely to hold that same view about local school districts. Only 36 percent of the state's residents thought there are too many school districts in New Jersey. (Poll results on-line at [http://eagletonpoll.rutgers.edu/polls/release\\_04-19-10.pdf](http://eagletonpoll.rutgers.edu/polls/release_04-19-10.pdf)) Caution is always appropriate in interpreting such polls, since many respondents are uninformed about all the implications and might change their answers if they were presented with more information.

#### Endnotes

<sup>1</sup> Pennsylvania Legislative Budget and Finance Committee, Cost Effectiveness of Consolidating Pennsylvania School Districts. Vols. 1 and 2. June 2007.

<sup>2</sup> NJ Education Commissioner Brett Schundler quoted in Patricia Alex, "NJ backs off school district mergers," The Record, May 28, 2010.

<sup>3</sup> For New Jersey, the map leaves some areas blank, showing no ranking of school spending. That is because those areas provide public education only through the primary grades and then send their children to higher grades in other districts. Because funding levels are different for elementary and secondary pupils, we opted to include only the districts serving student bodies that include the higher grades. Their spending patterns are more comparable to Pennsylvania districts than those New Jersey districts providing only the less-costly primary education.

The dollar figures portrayed in the map include the following categories of expenditures as reported by the two states' departments of education. For Pennsylvania, we used the "Actual Instruction Expense," a figure that covers instruction but omits expenditures for transportation, debt service, and capital payments. For New Jersey, we used the "Total Comparative Cost Per Pupil"—again, a figure that excludes transportation, debt service, and capital expenditures for equipment, facilities and construction.

<sup>4</sup> Donna Cooper quoted in Mark Scolforo, "PA school district merger plan may not make grade," Pottstown Mercury, May 3, 2009.