

By Charlee Beasor

# CASE FOR CONSOLIDATION

## Goals: Increase Efficiency, Lower Costs

There’s major drama unfolding in a small town in Randolph County.

The future of Union School Corporation – serving the southeast portion of the county with a total K-12 enrollment of just north of 300 students – has been a hotly-debated topic in a county that has Winchester, population just under 5,000, as its largest city.

Superintendent Fred Herron (suspended by the Union school board as of late January) began exploring consolidating the school district with another in the county and set up an advisory committee in 2014 to study a possible merger. A school board election turned the tables on talks of consolidation and the new majority has come up with a new plan: no consolidation. Instead, attract new students from the surrounding areas – and overseas.

The mess has reignited one of the most passionate and emotional discussions surrounding rural education: to consolidate or not to consolidate.

### Is there a magic number?

A 2014 policy brief from the Ball State University Center for Business and Economic Research (CBER) entitled “School Corporation Size and the Cost of Education” highlights the finding that Indiana school corporations with fewer than 2,000 students can reduce costs by merging or consolidating with other districts. Efficiencies in educating students would be gained by forming larger corporations – thus reducing the cost per student educated.

In Indiana in 2012, over half of the state’s school corporations enrolled less than 2,000 students. On top of that, almost 80% of those smaller districts had enrollment declines of 100 or more students between 2006 and 2012, according to the brief. The smallest districts are getting smaller.

Dagney Faulk, Ph.D., director of research for CBER, co-authored the brief with Michael J. Hicks, Ph.D. She explains the biggest savings would come from eliminations at the administrative level and by avoiding redundant expenditures, such as specialized education instructors.

“We find that in other local governments too; it’s one of the few places where there is savings in city-county consolidation, that administrative layer,” Faulk notes.

It’s not just how many students are in the schools, it’s also how many school districts are in each county. Faulk explains the finding that per capita spending on education increases with the number of school corporations in a county.

“That is based on another study we did that showed that basic relationship. As the (number of) school districts increase,

spending increases, there is more duplication of efforts,” she outlines. “The more school corporations, the more superintendents, specialized teachers. (In addition) they can’t take advantage of the same degree of buying in large quantities; that sort of thing.”

Just how much money could be saved by consolidating? In their 2011 book *Local Government Consolidation in the United States*, Faulk and Hicks found that in school districts with fewer than 2,000 students, a one-student increase in enrollment lowers the per-student cost of education by \$3.38.

In smaller districts of less than 1,000 students (of which there are 51 in Indiana), the cost savings is larger at \$8.32 per student.

For corporations between 1,000 and 2,000 students (103 in Indiana), they estimated that adding 100 students in a corporation would reduce the costs of education by \$850 per student – or about 6% of the annual per-student costs (based on the data used for the book).

Conversely, Faulk and Hicks found that an increase of one school district in a county increases per capita education spending by

### Local Government Units (1952-2012)

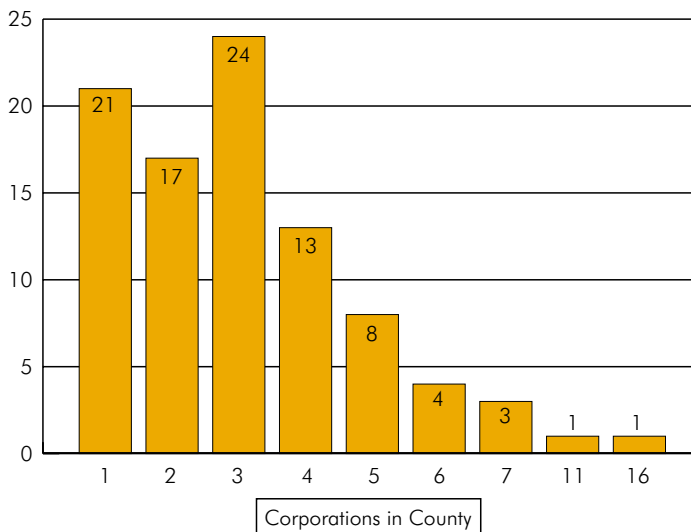
	1952	1962	1972	1982	1992	2002	2007	2012
IN Counties	92	92	*91	91	91	91	91	91
IN Municipalities	540	546	546	564	566	567	567	569
IN Townships	1,009	1,009	1,008	1,008	1,008	1,008	1,008	1,006
IN School Districts	1,115	884	315	305	294	294	293	291
IN Special Districts	293	560	832	897	939	1,125	1,272	752
IN Total	3,049	3,091	2,792	2,865	2,898	3,085	3,231	2,709
U.S. Counties	3,052	3,043	3,044	3,041	3,043	3,034	3,033	3,031
U.S. Municipalities	16,807	17,997	18,517	19,076	19,279	19,429	19,492	19,519
U.S. Townships	17,202	17,144	16,991	16,734	16,656	16,504	16,519	16,360
U.S. School Districts	67,355	34,678	15,781	14,851	14,422	13,506	13,051	12,880
U.S. Special Districts	12,340	18,323	23,885	28,078	31,555	35,052	37,381	38,266
U.S. Total	99,554	91,185	78,218	81,780	84,955	87,525	89,476	90,056

Source: U.S. Census Bureau, Census of Governments

\*With the consolidation of Indianapolis and Marion County in 1970, the Census Bureau does not count Marion County as a separate county government.

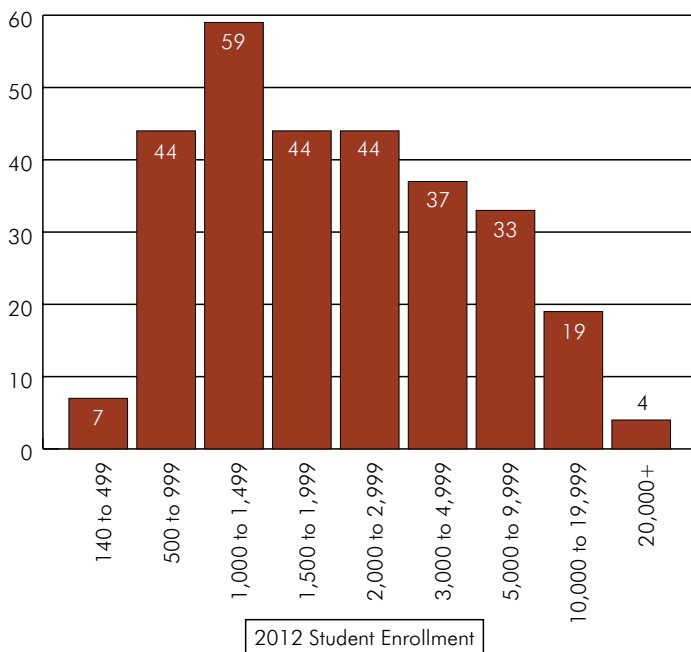
## Distribution of School Corporations by County, 2007

Number of Counties



## Indiana School Corporations by Enrollment Level

Number of Corporations (291 total)



Source: "School Corporation Size and the Cost of Education," Ball State University Center for Business and Economic Research, 2014

\$18.36. Delaware County, for example, has seven school districts. Faulk notes that going from seven districts to one would result in potential education savings of \$110 per county resident.

The report only deals with how the size of school corporations impacts the costs of schooling. Earlier studies looked at how school size impacts performance. Faulk and Hicks outlined those findings that with the exception of very large corporations – bigger than most, if any, Indiana districts might achieve – student performance is largely unaffected by consolidation.

The brief recommends the Legislature focus on cost savings over performance-related findings, implement a feasibility study and grant program for small corporations and create financial incentives for schools that gain efficiency.

## It's not just about the little guys

Nearly half of Indiana's school corporations have more than 2,000 students (see chart).

Andrew J. Coulson, director of the Cato Institute's Center for Educational Freedom, studied the relationship between district enrollment and spending in Michigan in 2007.

"My main finding echoed that of earlier studies in other states: the very smallest and the very largest districts usually spend more than mid-sized districts," he explains via email. "In other words, consolidating is not always a good idea. In fact, the evidence suggested that 10 times as much could be saved by breaking up large districts than by consolidating small ones.

"Another interesting conclusion from my study was that districts tended to spend more when it was easier to raise revenue per pupil. Specifically, districts that had fewer children per taxpayer tended to spend more, since a tax increase of a given percentage raised per-pupil spending more in districts with few students than in districts with many students."

Nationally, the distribution of district sizes varies by state, Coulson notes. However, research on consolidation and spending shows a similar pattern: "Merging two districts that each enroll a few hundred students is usually found to generate savings. But researchers in New York state concluded that there is little benefit to consolidating districts larger than 1,500 students. I found roughly the same thing in Michigan."

He offers another solution to concentrating solely on consolidation: expand private school choice via Indiana's school scholarship tax credit program. The program is available for individuals or corporations that donate to scholarship-granting organizations.

"A similar program in Florida has been found to save tens of millions of dollars a year for taxpayers, while also raising the achievement of both the students who transfer to private schools and the students who remain in public schools," he concludes.

## Not a top priority

While the 2007 Indiana Commission on Local Government Reform, aka the Kernan-Shepard Report, actually suggested mandating consolidation of school districts with less than 2,000 students (though not eliminating schools, to ensure acceptable classroom sizes), there hasn't been a push for any consolidation at the state level. Faulk and Coulson also noted they were unaware of any major pushes for consolidation across the nation.

Nationally, the number of school districts has only decreased by about 3,000 since 1972 (according to data from the 2012 Census of Governments). Similarly in Indiana, the state has only decreased its school districts by 24 in that timeframe.

To encourage studying consolidation at some of the smaller districts, Faulk imagines a financial incentive from the state might help, but acknowledges it's a "politically hot topic" – one that isn't likely to be mandated any time soon.

It's a hot topic not just at the state political level, as the idea of consolidation elicits a certain passion from community members, Faulk recognizes.

"A lot of it is the feelings of pride and ownership in an individual school corporation, the history behind those. From what I've seen and read, that's one of the primary blocks," she says.

**RESOURCES:** Dagny Faulk, Ph.D., Ball State University Center for Business and Economic Research, at [cms.bsu.edu/academics/centersandinstitutes/bbr](http://cms.bsu.edu/academics/centersandinstitutes/bbr) | Andrew J. Coulson, Cato Institute Center for Educational Freedom, at [www.cato.org/research/education-child-policy](http://www.cato.org/research/education-child-policy)