

School District Consolidation: Less Means More

by Robert Kleine, Senior Economist

Michigan's K-12 educational system needs improvement, both in the quality of education provided and in teaching efficiency. In 1988 Michigan had only 7.5 percent of its seniors in advanced placement programs compared to the national average of 10.6 percent, which ranked it 30th in the country; had an ACT score ranked 17th among 22 states using the test; and according to state data, had a graduation rate of 73 percent, ranking it 28th among all states. A low-to-mediocre rank in comparison to other states is nothing to be proud of in a country that continues to decline in math and science performance in comparison with other nations. To be a state that can compete with others, as well as with the rest of the world, our educational system must be improved.

How do we achieve this goal? We need better programs, more rigor in curricula, and tougher teaching standards; these require more money that is more equitably distributed. The voters have repeatedly shown that they will not approve further tax increases until schools show that they are spending funds wisely. One of the ways to realize such efficiencies is to consolidate Michigan's existing school districts.

Michigan's educational system is woefully antiquated, and the inefficiencies that exist reflect its outmoded framework. Michigan reduced the number of school districts from 4,845 in 1952 to 647 in 1972. The state now has 563 districts, ranking it 9th among the 50 states. (See Exhibit 1.) This is still too many districts; there are 130 districts with fewer than 750 students. Currently, four states—Florida, Louisiana, Maryland, and West Virginia—have countywide school districts, and one state—Hawaii—has a statewide school district. As shown in Exhibit 2, Michigan is about average in terms of the number of students per district and the percentage of districts with 20,000 or more students.

Since the time of the system's design, improvements have been made in transportation, communications, technology, and infrastructure. These should allow a more efficient blueprint to be developed. Centralized planning would streamline administrative duties. Teachers can be hired and paid centrally (much as state workers are hired and paid), which will not only reduce administrative duties but also, by eliminating economic discrepancies between districts, attract teachers to all districts in the state rather than to the fortunate few. The savings created from these efficiencies then can be put to work in one of the many other areas where funds are lacking. In addition, the public may be convinced that government truly is working for efficient schools, which would remove one of the roadblocks to future educational tax increases. One advantage of consolidation claimed by Maryland, which has 24 countywide districts, is regular face-to-face contact between school district officials and State Department of Education officials, including regular briefings of district superintendents by the state superintendent.

EXHIBIT 1

Number of Basic Administrative Units (Operating Public School Districts), 1987-88

State	Units	State	Units
Texas	1,074	Georgia	187
California	1,024	Kentucky	178
Illinois	982	Colorado	176
Nebraska	860	Connecticut	166
New York	719	New Hampshire	159
Oklahoma	635	Mississippi	152
Ohio	615	North Carolina	140
New Jersey	592	Tennessee	140
MICHIGAN	563	Virginia	137
Missouri	545	Alabama	129
Montana	540	Idaho	115
Pennsylvania	500	South Carolina	91
Iowa	436	New Mexico	88
Minnesota	433	Florida	67
Wisconsin	430	Louisiana	66
Massachusetts	364	Alaska	55
Arkansas	329	West Virginia	55
Kansas	304	Wyoming	49
Indiana	302	Rhode Island	40
Oregon	302	Utah	40
Washington	296	Maryland	24
North Dakota	279	Delaware	19
Vermont	274	Nevada	17
Maine	232	District of Columbia	1
Arizona	216	Hawaii	1
South Dakota	191		
		United States	15,329

SOURCE: NEA Research, *Estimates* data bank, 1988.

How much could consolidation save? Using 1988 figures, we estimate that by reducing the number of districts from 563 to 250, savings from administrative, business, and planning support services alone could range from \$278 million to \$789 million per year. Most of this savings is in the form of salaries and fringe benefits, although purchases of services, supplies, materials, and other expenses are assumed to decline as well. (See Exhibit 3.)

We would go one step further, however, and reduce the number of existing districts to 107: one district per county other than in the "Big 8" counties (Genesee, Kalamazoo, Kent, Macomb, Oakland, Washtenaw, and Wayne), which would each contain no more than four districts. We estimate that a reduction of this magnitude would save from \$404 million to \$1.2 billion per year, again, based on 1988 figures.

The research on the effect of school district size on expenditures has been inconclusive. Jewell (1989) found no statistical correlation between school district size and expenditures per pupil. However, his research also found that teachers' salaries and pupil-teacher ratios, taken together, account for more than 80 percent of the variation in per-pupil expenditures among the states, and that large states and districts have moderately higher salaries and substantially less favorable pupil-teacher ratios. As a result, it appears that this may offset other efficiencies, causing per-pupil expenditures to be statistically unrelated to any

EXHIBIT 2

Two Measurements of Public School District Size, 1985

Average District Size		Percentage of Students in Districts of 20,000 or More	
Hawaii	163,899	District of Columbia	100.00%
District of Columbia	87,092	Hawaii	100.00
Maryland	27,982	Florida	79.99
Florida	23,276	Nevada	78.17
Louisiana	12,011	Maryland	70.19
Utah	10,083	Utah	61.96
Nevada	9,118	Louisiana	51.38
North Carolina	7,751	Virginia	43.16
Virginia	6,965	Colorado	42.78
South Carolina	6,585	Georgia	40.19
West Virginia	6,508	Texas	40.16
Tennessee	5,783	New York	39.49
Georgia	5,693	Alaska	39.13
Alabama	5,619	Tennessee	36.50
Delaware	4,890	California	35.45
California	4,140	Arizona	34.40
New York	3,594	Alabama	29.86
Kentucky	3,577	South Carolina	29.80
Pennsylvania	3,366	North Carolina	27.80
Rhode Island	3,336	New Mexico	27.57
Indiana	3,178	Illinois	26.58
Colorado	3,111	Nebraska	24.21
Mississippi	3,015	Kansas	23.69
New Mexico	3,009	MICHIGAN	21.52
MICHIGAN	2,963	Oregon	21.13
Ohio	2,917	Kentucky	19.04
Texas	2,884	Wisconsin	18.99
Connecticut	2,863	Missouri	16.65
Arizona	2,675	Ohio	16.62
Washington	2,512	Indiana	16.48
Massachusetts	2,292	Pennsylvania	14.13
Wyoming	2,098	Oklahoma	13.64
Alaska	1,955	Minnesota	13.53
New Jersey	1,885	Washington	13.23
Illinois	1,826	West Virginia	10.68
Idaho	1,823	Idaho	10.34
Wisconsin	1,778	New Jersey	10.02
Minnesota	1,633	Massachusetts	9.42
Oregon	1,477	Arkansas	6.93
Missouri	1,462	Mississippi	6.53
Kansas	1,349	Iowa	6.35
Arkansas	1,271	Connecticut	4.99
Iowa	1,113	Delaware	0.00
New Hampshire	1,019	Maine	0.00
Oklahoma	936	Montana	0.00
Maine	907	New Hampshire	0.00
South Dakota	639	North Dakota	0.00
North Dakota	412	Rhode Island	0.00
Vermont	329	South Dakota	0.00
Nebraska	291	Vermont	0.00
Montana	281	Wyoming	0.00

SOURCE: *Education and Urban Society*, (Newbury Park, Calif.: Sage Publications, February 1989), p. 143.

EXHIBIT 3

**FY 1988 Expenditures and Estimated Expenditure Reductions Based on
Consolidation to 250 and 107 School Districts, by Major Spending Category**

Category	1988 Actual Expenditure	Estimated Reductions	
		Consolidation to 250 Districts	Consolidation to 107 Districts
Support Services: General Administration	\$123,827,036	\$68,939,165	\$100,073,359
Support Services: Business ^a	141,521,048	78,790,087	114,624,508
Support Services: Central	60,711,945	33,800,622	49,065,604
Employee Benefits-Support Services	266,535,405	17,851,325	25,970,263
TOTALS	\$592,595,434	\$199,381,199	\$289,733,734

SOURCE: Calculations made by Public Sector Consultants based on data in Department Services, Michigan Department of Education, "ISD & LEA: Annual School District Financial Report for the Fiscal Year Ended June 30, 1988" (state totals, LEA), pp. 3-4.

NOTE: Specifically, the cost savings are in reduced administrative costs and general economies that result from the streamlining of school districts and are based on reductions for support service spending on salaries, purchased services, and supplies, materials, and other expenses in the general administration, business, central, and employee benefits categories. The reductions were made by deducting a fixed percentage of actual expenditures on each line within the listed categories based on the percentage reduction in the number of districts. For example, consolidation from 563 districts to 250 districts is a decline of 55.6 percent in the number of districts, so total expenditures on each line were reduced by 55.6 percent. Exceptions to this formula were made in the support services: business category for the lines "operation and maintenance of plant" and "pupil transportation services"; no cost reduction was made for either of these lines. Some administrative costs are pro-rated between these and the general administration lines, but because information on the degree to which this occurs was not available, no deductions for these savings were made. The cost reduction for employee benefits was estimated by calculating the percentage of total salaries that was included in the cost reductions above and reducing this proportion of support services benefits by the appropriate fixed percentage.

^aExcludes operation and maintenance of plant and pupil transportation services.

measurement of educational size.¹ Walberg (1989) concluded that very small districts spend more per student than large districts because a school board, superintendent, principal, and some minimum staff, activities, and equipment are needed no matter how small the district and because low-enrollment districts are likely to be in sparsely settled areas that require more transportation. Per-student costs of districts with from 500 to 5,000 or more students appear to differ very little.² Although far from conclusive, administrative costs in Maryland are only 4.2 percent of current expenditures (1988-89), whereas administrative costs in Michigan are at least twice as large a share of expenditures.

Another controversial issue is whether district size affects student performance. Jewell found that students in states with smaller districts and smaller schools have higher SAT and ACT scores. Sizes of

1 Robert W. Jewell, "School and School District Size," *Education and Urban Society*, vol. 21 (Newbury Park, Calif.: Sage Publications, February 1989), pp. 140-153.

2 Herbert J. Walberg, "District Size and Student Learning," *Education and Urban Society*, vol. 21 (Newbury Park, Calif.: Sage Publications, February 1989), pp. 154-163.

schools and districts, however, do not appear to be significant factors after controlling for the effects of state poverty levels. There appears to be general agreement that there are districts and schools that are too small and lack sufficient resources to be effective. These districts seldom have the resources—equipment, consultants, ancillary staff, curriculum variety, supplies, teaching staff—to do as good a job as larger districts. In the final analysis size may be important, but only after we determine the best configuration of schools, and the best configuration within schools, to achieve our educational aims. Consolidation clearly can have beneficial effects, but it must be done carefully, recognizing that in some cases smaller districts may be better than larger districts.

An alternative to extensive consolidation would be to share revenue on an intermediate school district (ISD) basis. This would allay some of the fears about loss of local control, while fully or partially equalizing resources among the school districts in the ISD. Senator Vernon Ehlers (R-Grand Rapids) has introduced a bill (SB 963) that, with voter approval, would allow school districts with above-average property values (SEV) to share within an ISD all or a portion of the growth in their property tax base. This is an enlightened approach to addressing the inequitable distribution of property values in Michigan and, if approved by the legislature, has the potential to improve the school finance system significantly without state intervention.

The country's educational system, including Michigan's, needs to improve radically if we are to compete as a state as well as a nation; what is surprising is the lack of action that has been taken to change this dangerous status quo. Much has been said about the importance of education and of improving the state's system, but little, if anything, has been done about it. While programs relating to educational reform are considered to be politically risky, hesitating to enact them will prove to be even more perilous than politically safe lassitude. We must demonstrate the courage to do what is required and to back our words with actions rather than passing programs that are "do-able" but that actually do little.

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