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EXHIBIT ONE (1)

Dollarway SBE Questions

The Arkansas State Board of Education had several requests for information during the November 13, 2020, meeting regarding Dollarway School District. In an attempt to answer and provide the requested information the following document has been created. **Green headings** indicate information requested during the SBE meeting. Each section then provides either a direct answer or additional document or articles in embedded **blue links**.

What are the early childhood options available within the district?

The following numbers represent the slots or early childhood programs currently available in the two districts. Currently the programs or number of slots will not be impacted by the SBE decision.

Home Visiting (HV) and Parents as Teachers (PAT)

- AR River - PAT 60 slots [HV] – 55 enrolled
- AR River – 915 slots (serves AR River Coop areas as well as other regions in the state) – currently enrolling, recruiting, etc.

Center-based (CB) School and Co-op Programs

- Dollarway – total 80 slots [CB] – 22 enrolled; processing 6 apps (4 classrooms at elementary school)
- Pine Bluff – total 115 slots [CB] – 65 enrolled; processing 5 apps
- Arkansas River (serving mainly Watson Chapel) – total 68 slots [CB] – 22 enrolled; processing 15 apps

Center-based (CB) Private Programs

- Academy of Learning in Pine Bluff – total 60 slots (CB) – 40 enrolled, 0 on waiting list & recruiting
- Kosmic Kidz Learning Center in Pine Bluff – total 20 slots (CB)— 20 enrolled, 0 on waiting list
- Univ. of AR at Pine Bluff (UAPB) – total 40 slots (CB) – 21 enrolled, 0 on waiting list & recruiting

What are the enrollment numbers for the districts in Jefferson County?

District	2016-17	2017-18	2018-19	2019-20	2020-21	5- Year Net Change	5 Year Average Enrollment
Pine Bluff	3912	3648	3189	2921	2799	-1113 (-28%)	3293.8
Dollarway	1202	982	961	941	907	-295 (-25%)	998.6
White Hall	2808	2926	2971	2970	2906	98 (+5%)	2916.2
Watson Chapel	2591	2582	2472	2233	2148	-443 (-17%)	2405.2

What is the timeline for Pine Bluff School district under state authority?

Classified as in need of Level 5 support and under State authority on November 8, 2018. Thus, the State Board must act by November 8, 2023. Classified in fiscal distress and under State authority on September 13, 2018. Ark. Code Ann. § 6-20-1908(d) reads “[e]xcept under § 6-20-1910(e), a school district shall not be allowed to remain in fiscal distress status for more than five (5) consecutive school years from the date that the school district is classified as being in fiscal distress status.” Ark. Code Ann. § 6-20-1910(e), however, provides “[i]f, by the end of the fifth school year following the school district’s classification of fiscal distress status, the school district has not corrected all issues that caused the classification of fiscal distress, the state board, after a public hearing, shall consolidate, annex, or reconstitute the school district under this section.” PBSD was classified as being in fiscal distress and the State assumed authority on September 13, 2018. Consequently, if you use the language of 6-20-1910(e), the State Board must take action for fiscal classification by June 30, 2024.

FISCAL

Would any waivers be necessary if the district were to share a superintendent, under local control or reconstitution?

Standards for Accreditation, Section 4-B.1 (SD must have a full time superintendent), and Ark. Code Ann. § 6-13-109.

Does either district have a School Based Health Center?

Dollarway High School was awarded a SBHC grant back in 2010 with the first round of funding. The district didn’t finish the 5-year funding cycle because the provider left. However, the district continued to keep the clinic open by partnering with a private family doctor who volunteered to serve in the center. The current center is not considered part of the SBHC program and does not report to ADE. However the district does still engage in the School based health alliance and CSH events.

Pine Bluff does not have a center. There is nothing that would prohibit the local district from considering an application in the future.

What are the Advanced and Career and Technical course differences between the two districts?

Dollarway High School and PineBluff High school have similar core class offerings. DHS provides more honors math classes than PBHS; however, PBHS offers two additional ELA classes; journalism and personal composition. Both high school vary in the AP science classes they offer. DHS offers AP environmental science and computer science level 3-4, while PBHS offers AP biology and AP chemistry.

The largest variation in class offerings is in fine arts and career and technology. PBHS offers 3 additional classes in fine arts mainly around vocal music. Additionally, PBHS offers 25 additional career and technology classes due to the larger number of students in PBHS.

What are some districts in the state that have been consolidated or annexed?

[Arkansas Consolidations or Annexations](#)

What does national research tell us about Consolidation and Annexation?

[Consolidation of Schools and Districts. What Research Says and What it Means](#) (includes annexation)

by Craig Howley, Jerry Johnson, and Jennifer Petrie
February 2011

[School District Consolidation: The Benefits and Costs. What recent research reveals about expected financial savings when small districts merge](#)

by William D. Duncombe and John M. Yinger
2010

[When school districts fall into debt and can't get out. Students and communities often pay the price](#) This article is about a school district in Michigan that faces fiscal distress and examines the hidden financial pressures challenging American schools (includes annexation).

by Emily Richmond
April 22, 2019

Facilities and Transportation:

The following information is provided for both Dollarway and Pine Bluff School Districts.

Dollarway School District Facilities Summary with Links

1. Planned/Committed projects from Master Plan ([Project Link](#))
 - a. 1920 Security Vestibule Matthews ES
 - b. 2122 Bus Barn
 - c. 2324 Matthews ES HVAC
 - d. 2324 Roof Renovations HS
 - e. The district is eligible for Partnership Program projects. *Due to declining enrollment and age/conditions of buildings most likely the only project that they would be eligible for is WSD system replacements projects.*
2. Building values of open academic campuses (campus average) [District Report Link](#)
 - a. Matthews ES 38.32%
 - b. Moorehead MS 56.87%
 - c. Dollarway HS 45.54%
3. Enrollment

- a. 2019-2020 941 K-12 Students
- b. 2029-2030 (projected) 747 K-12 Students
- 4. Wealth Index: 0.46557 (for 21-23 Partnership Cycle); should be no greater than 0.3 for 23-25 Partnership Cycle) ([Wealth Index Link](#))
- 5. Reported condition – Condition Survey
Conditions of buildings and systems, as reported by the district, generally are fair to poor with several good ratings as well as several replace ratings.

Pine Bluff School District Facilities Summary with Links

- 1. Planned/Committed projects from Master Plan
[Planned Projects](#)
[Committed Projects](#)
- 2. Building values of open academic campuses (campus average)
 - A. Belair ALE -3.63%
 - B. Broadmoor ES 74.00%
 - C. Greenville Pre-K 0.00%
 - D. Thirty-Fourth Ave. ES School 67.13%
 - E. Southwood ES 27.58%
 - F. Pine Bluff High -1.05%
 - G. Jack Robey Jr. HS 30.00%
- 3. Enrollment(See attached [District Report](#))
 - A. 2019-2020 2,921 K-12 Students
 - B. 2029-2030 (projected)1,895 K-12 Students
- 4. [Wealth Index](#): 0.41651 (for 21-23 Partnership Cycle); should be not greater than 0.3 for 23-25 Partnership Cycle)
- 5. Reported condition –Condition Survey- Condition of buildings and systems, as reported by the district, generally are fair to poor with several good ratings as well as several replace ratings. Many poor ratings were on campus utilized as storage.

Wealth Index

Dollarway Wealth Index for 21-23 cycle is 0.46557

Pine Bluff Wealth Index for 21-23 cycle is 0.41651

Dollarway Assessment Data

Dollarway Assessment Report Fall 2020-2021

As of December 2015, the Dollarway School District (DSD) was placed under the direction of the Commissioner of Education. Dollarway School District was classified in Fiscal Distress, and two secondary schools (Dollarway High School and Robert F. Morehead Middle School) were classified in Academic Distress. The Elementary and Secondary Education Act (ESEA) Flexibility Waiver classified the same schools as Priority and in the lowest 5% of schools as measured by multi-year performance of students on the state accountability assessment. The district is currently designated by the State Board as a district in need of Level 5 intensive support. The elementary, middle and high school all received "F" school letter grades in 2018 and 2019 and are identified as in need of Comprehensive Support and Improvement (CSI).

Assessment Program

The Dollarway School District has chosen Renaissance as their state required K-2 assessment. Through the Cares Act funding, Dollarway has also chosen Renaissance for assessing and monitoring growth for grades 3-10. Within the Renaissance program, schools have access to three assessments - *STAR™ Early Literacy*, *STAR™ Reading*, and *STAR™ Math*.

The data below for all grades K-10 will serve as a baseline for measuring growth moving forward during the Winter and Spring testing windows.

STAR Reading K-2 and 3-10

The district is required to administer the appropriate assessment(s) to all K-2 students three times per year. Kindergarten students start by taking *STAR™ Early Literacy*. Students who are not considered probable/independent readers continue to be assessed using the *STAR™ Early Literacy* assessment. Once a student becomes a probable/independent reader (typically in 1st or 2nd grade), they transition to *STAR™ Reading*. *STAR™ Reading* is given to all probable/independent readers up through grade 10.

STAR Math K-2 and 3-10

Students in grades 1-2 and 3-10 take *STAR™ Math* three times a year. There are approximately five math problems included in the *STAR Early Literacy* which is intended for kindergarten students who do not have a separate *STAR Math* test. *STAR Math* is given to all first grade students and beyond regardless of the reading test given.

Onsite Students and Virtual Students

The 20/21 total student population for grades K-10 Dollarway is 791. Dollarway's Ready for Learning district plan addresses the need for learning for all students - onsite and virtually. Currently DSD has 545 virtual students in grades K-10. Approximately 63% (139/221) of DSD's K-2 student population are virtual, and 71% (464/570) of students in grades 3-10 are virtual. The ADE:DESE Student Assessment office provided [Testing Guidance](#) and multiple resources to help districts administer onsite and remote testing. Renaissance assessments are all online; therefore, virtual students do have the ability to test remotely. Schools across the state have provided opportunities for students to come to school after hours to test, offered testing in nearby community centers, and offered/provided training for parents.

STAR™ Early Literacy and STAR™ Reading

STAR Early Literacy is the assessment given to all Kindergarten and other early elementary students who are not considered probable/independent readers.

STAR Reading is the assessment given to all students who are considered probable/independent readers.

Each assessment is divided into 4 performance levels:

Urgent Intervention	Below 405 Scale Score (SS)	At/Below 9 Percentile Rank (PR)
Intervention	Below 455 Scale Score (SS)	At/Below 24 Percentile Rank (PR)
On Watch	Below 499 Scale Score (SS)	At/Below 39 Percentile Rank (PR)
At/Above Benchmark	At/Above 499 Scale Score (SS)	At/Above 40 Percentile Rank (PR)

N= (Number of students)

STAR Early Literacy K-2 - Fall 2020 - Matthews Elementary

	N =	Urgent Intervention	N =	Intervention	N =	On Watch	N =	At/Above Benchmark	N =	Not Tested
K	29	39%	16	21%	8	11%	22	29%	75	8
Grade 1	22	37%	15	25%	7	12%	15	25%	59	12
Grade 2	16	42%	6	16%	6	16%	10	22%	38	25

STAR READING - Grades 2-10 - Fall 2020

Matthews Elementary - Grades 2-4 - Fall 2020

Students who are considered probably/independent readers are assessed using the *STAR Reading* test. This transition usually occurs during Grade 1 or Grade 2.

	N =	Urgent Intervention	N =	Intervention	N =	On Watch	N =	At/Above Benchmark	N =	Not Tested
K	No Kindergarten students assessed using STAR Reading.									
Grade 1	Only 1 student was assessed using STAR Reading									
Grade 2	18	35%	11	22%	9	18%	13	25%	51	12
Grade 3	24	35%	17	25%	12	18%	15	22%	68	2
Grade 4	30	55%	11	20%	7	13%	7	13%	55	6

Robert F. Morehead Middle School - STAR Reading - Fall 2020

	N =	Urgent Intervention	N =	Intervention	N =	On Watch	N =	At/Above Benchmark	N =	Not Tested
Grade 5	40	56%	13	18%	8	11%	10	14%	71	0

Grade 6	35	51%	15	22%	11	16%	7	10%	68	9
Grade 7	39	55%	16	23%	8	11%	8	11%	71	7
Grade 8	28	56%	13	26%	6	12%	3	6%	50	12

Dollarway High School - STAR Reading - Fall 2020

	N =	Urgent Intervention	N =	Intervention	N =	On Watch	N =	At/Above Benchmark	N =	Tested	N =	Not Tested
Grade 9	27	53%	12	24%	8	16%	4	8%	51		19	
Grade 10	38	76%	8	16%	2	4%	2	4%	50		14	

STAR Reading Summary - Fall 2020

- One noticeable trend is the year-to-year decrease in the percentage of students scoring At/Above Benchmark starting in grade 2 and continuing to grades 10.
 - The **decline of proficiency in the At/Above** percentage of students per grade is as follows: 25%, 22%, 13%, 14%, 10%, 11%, 6%, and 4%.
- Grades 5 through 10 all have 50% or more in the **Urgent Intervention** performance level.

STAR MATH - Grades 1-10 - Fall 2020

Matthews Elementary - Grades 1-4 - Fall 2020

	N =	Urgent Intervention	N =	Intervention	N =	On Watch	N =	At/Above Benchmark	N =	Tested	N =	Not Tested
K	Kindergarten does not take STAR Math											
Grade 1	15	27%	12	21%	10	18%	19	34%	56		15	
Grade 2	29	39%	14	25%	7	13%	13	23%	56		7	
Grade 3	17	25%	21	31%	9	13%	20	30%	67		3	
Grade 4	26	49%	13	25%	5	9%	9	17%	53		8	

Robert F. Morehead Middle School - STAR Math - Fall 2020

	N =	Urgent Intervention	N =	Intervention	N =	On Watch	N =	At/Above Benchmark	N =	Tested	N =	Not Tested
Grade 5	27	38%	17	24%	11	15%	16	23%	71		0	
Grade 6	27	38%	17	24%	14	20%	13	18%	71		6	
Grade 7	33	45%	17	23%	14	19%	9	12%	73		5	

Grade 8	19	37%	11	21%	8	15%	14	27%	52	10
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Dollarway High School - STAR Reading - Fall 2020

	N =	Urgent Intervention	N =	Intervention	N =	On Watch	N =	At/Above Benchmark	N =	Tested	N =	Not Tested
Grade 9	16	30%	17	32%	5	9%	15	28%	53		17	
Grade 10	13	27%	16	33%	3	6%	16	33%	33		16	

STAR Math Summary - Fall 2020

- Grade 1 had the highest percentage of students scoring in the At/Above Benchmark level with 34%.
- Grades 4 (17%) and 7 (12%) had the lowest percentage of students scoring At/Above Benchmark.

Comparing Same Student Cohorts for K-2 Reading and Math - Fall 19/20 to Fall 20/21

STAR Early Literacy - Comparing Fall 2019 to Fall 2020 (Same student cohorts)

	Fall 2019 Below Benchmark	Fall 2020 Below Benchmark	Fall 2019 At/Above Benchmark	Fall 2020 At/Above Benchmark
K	N/A	71%	N/A	29%
Grade 1	61%	75%	39%	25% (-14)
Grade 2	55%	78%	45%	22% (-23)

STAR Math - Comparing Fall 2019 to Fall 2020 (Same student cohorts)

	Fall 2019 Below Benchmark	Fall 2020 Below Benchmark	Fall 2019 At/Above Benchmark	Fall 2020 At/Above Benchmark
JK	Kindergarten does not take STAR Math			
Grade 1	44%	66%	56%	34% (-22%)
Grade 2	63%	77%	38%	23% (-15%)

ACT Aspire Subject Proficiency Data - 18/19, 19/20, and Fall 20/21

This table represents the same student cohort over 2 full years and Fall 20/21. Students in 3rd grade will have no Aspire data for 18/19 and 19/20. Students in 4th grade will have no Aspire data for 18/19.

Grade As of 20/21	18-19 Reading Interims I,II, and III Avg. % Meets Benchmark	Fall 19/20 Reading Meets Benchmark	Winter 19/20 Reading Meets Benchmark	Fall 20/21 Reading Meets Benchmark	18-19 Math Interims I,II, and III Avg. % Meets Benchmark	Fall 19/20 Math Meets Benchmark	Winter 19/20 Math Meets Benchmark	Fall 20/21 Math Meets Benchmark
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3rd	X	X	X	7%	X	X	X	10%
4rd	X	2%	3%	No Students Tested	X	3%	10%	No Students Tested
5th	5%	19%	13%	4%	15%	22%	21%	19%
6th	15%	12%	9%	29%	18%	16%	18%	26%
7th	8%	24%	33%	6%	7%	18%	20%	4%
8th	20%	22%	13%	23%	21%	22%	11%	10%
9th	22%	27%	32%	10%	22%	8%	6%	2%
10th	18%	12%	9%	No Students Tested	4%	2%	3%	No Students Tested

It should be noted that test scores for the Fall 20/21 reflect only a portion of the enrollment due to the difficulty of testing virtual students remotely. The percentages of students tested per grade are listed below.

Grades	Reading - Students Tested	Math - Students Tested	Students Enrolled	Percentage of students tested for Fall 20/21
3rd	58	60	73	81%
4rd	0	0	61	0%
5th	57	59	72	81%
6th	49	54	80	64%
7th	50	51	78	65%
8th	42	41	61	69%
9th	51	53	71	73%
10th	0	0	74	0%

Matthews Elementary Morehead Middle Dollarway High
Reminder: 71% of students in grades 3-10 are virtual students.

Moving Forward through School Year 20-21

The data for this will be used as a baseline moving forward. The Winter report will compare Fall 2020 data to the Winter 20/21 data. The Spring report will be able to compare the Fall 2020 data to the Spring 21 data.

Exit Criteria: All F schools meet or exceed 80.0 Content with ELP Growth as identified in ESSA School Index.

Growth

School	2016-2017	2017-2018	2018-2019	19/20
Dollarway High School	80.04	81.65	80.35	
Matthews Elementary	73.81	77.7	76.99	
Robert F Morehead Middle School	73.19	74.77	79.04	

Exit Criteria: The number of students in Close, Ready, Exceeds for both Math and ELA will exceed the number of students In Need of Support categories according to the ESSA School Index. This is for all F schools identified based on the 2017-2018

School Year

2017-2018 ELA

School	In Need of Support	Close	Ready	Exceeds
Dollarway High School	85	20	17	<10
Matthews Elementary	104	22	11	<10
Robert F Morehead Middle School	182	41	24	<10

2018-2019 ELA

School	In Need of Support	Close	Ready	Exceeds
Dollarway High School	88	24	14	4
Matthews Elementary	106	24	11	9
Robert F Morehead Middle School	177	42	18	8

2017-2018 Math

School	In Need of Support	Close	Ready	Exceeds
Dollarway High School	99	22	<10	<10
Matthews Elementary	51	57	30	<10
Robert F Morehead Middle School	139	85	21	<10

2018-2019 Math

School	In Need of Support	Close	Ready	Exceeds
Dollarway High School	96	25	7	2
Matthews Elementary	64	57	26	4
Robert F Morehead Middle School	134	95	14	4

Consolidations/Annexations

West Memphis School District

- **Hughes** School District consolidated with West Memphis School District
- Effective date of consolidation: July 1, 2015 (State Board order dated April 20, 2015)
- Involuntary consolidation under Ark. Code Ann. § 6-13-1601 *et seq.* (Hughes had fewer than 350 students for two consecutive school years)
- Hughes School District dissolved; resulting district was West Memphis School District
- Interim Board of Directors appointed
- Schools: (5) K-6; (3) 7-9; (1) PK-6; (1) 10-12

Hackett School District

- **Hartford** School District annexed into Hackett School District
- Effective date of annexation: July 1, 2015 (State Board order dated December 15, 2014)
- Voluntary annexation under Ark. Code Ann. § 6-13-1401 *et seq.* (Harford had fewer than 350 students for two consecutive school years)
- Hartford School District dissolved; resulting district was Hackett School District
- Permanent Board of Directors composed of the current Hackett Board members
- Schools: (1) K-6; (1) 7-12

Camden-Fairview, Magnolia, and Nevada County School Districts

- **Stephens** School District consolidated with: Camden-Fairview, Magnolia, and Nevada School Districts
- Effective date of consolidation: July 1, 2014 (State Board order dated April 11, 2014)
- Involuntary consolidation under Ark. Code Ann. § 6-13-1601 *et seq.* (Stephens had fewer than 350 students for two consecutive school years)
- Stephens School District dissolved; resulting districts were the Camden-Fairview, Magnolia, and Nevada School Districts.
- Interim Boards of Directors appointed
- Schools: Camden-Fairview—(1) K-1; (1) 2-3; (1) 4-5; (1) 6-8; (1) 9-12. Magnolia—(1) K-2; (1) 3-5; (1) 6-8; (1) 9-12. Nevada—(1) K-6; (1) 7-12

Smackover-Norphlet School District

- **Norphlet** School District annexed into Smackover School District
- Effective date of annexation: July 1, 2014 (State Board order dated May 8, 2014)
- Voluntary annexation under Ark. Code Ann. § 6-13-1401 *et seq.* (Norphlet had fewer than 350 students for two consecutive school years)
- Norphlet School District dissolved; resulting district was Smackover-Norphlet School District.
- Interim Board of Directors appointed
- Schools: (1) K-4; (1) 5-8; (1) 9-12

Emerson-Taylor-Bradley School District

- **Bradley** School District annexed into Emerson-Taylor School District
- Effective date of annexation: July 1, 2013 (State Board order dated May 20, 2013)
- Voluntary annexation under Ark. Code Ann. § 6-13-1401 *et seq.* (Bradley had fewer than 350 students for two consecutive years)
- Bradley School District dissolved; resulting district was the Emerson-Taylor-Bradley School District
- Interim Board of Directors appointed
- Schools: (3) K-6; (3) 7-12

Harrisburg School District

- **Weiner** School District annexed into Harrisburg School District
- Effective date of annexation: July 1, 2010 (State Board order dated April 1, 2010)
- Voluntary annexation under Ark. Code Ann. § 6-13-1401 *et seq.* (Weiner had fewer than 350 students for two consecutive years)
- Weiner School District dissolved; resulting district was Harrisburg School District
- Interim Board of Directors appointed
- Schools: (1) K-6; (1) K-4; (1) 5-8; (1) 9-12

South Pike County School District

- **Delight** School District annexed into the Murfreesboro School District
- Effective date of annexation: July 1, 2010 (State Board Order dated March 18, 2010)
- Voluntary annexation under Ark. Code Ann. § 6-13-1401 *et seq.* (Delight had fewer than 350 students for two consecutive years)
- Delight School District dissolved; resulting district was South Pike County School District
- Interim Board of Directors appointed
- Schools: (2) K-6; (1) 7-12

CONCLUSIONS FROM REVIEWING CONSOLIDATIONS/ANNEXATIONS

The annexations/consolidations that took place over approximately the last 10 years resulted from a school district falling below 350 ADM for two consecutive school years, in which case the district was required by law to annex to or consolidate with another district. The annexation or consolidation could occur voluntarily, with the school district below 350 ADM finding its own annexation/consolidation partner, or involuntarily if no voluntary agreement was reached. Regardless, all annexations/consolidations must be approved by the State Board of Education.

NOTE: All of these annexations/consolidations occurred *before* Ark. Code Ann. § 6-13-1613 took effect on July 22, 2015, which law allows a school district to seek a waiver from the 350 ADM minimum school district size. Since that law took effect, there have been no annexations or consolidations.

One common factor among all of these annexations/consolidations was that the State Board ordered that the resulting school district have only one superintendent.

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Consolidation of Schools and Districts: What the Research Says and What It Means

Howley, Craig; Johnson, Jerry; Petrie, Jennifer

National Education Policy Center

Arguments for consolidation, which merges schools or districts and centralizes their management, rest primarily on two presumed benefits: (1) fiscal efficiency and (2) higher educational quality. The extent of consolidation varies across states due to their considerable differences in history, geography, population density, and politics. Because economic crises often provoke calls for consolidation as a means of increasing government efficiency, the contemporary interest in consolidation is not surprising. However, the review of research evidence detailed in this brief suggests that a century of consolidation has already produced most of the efficiencies obtainable. Indeed, in the largest jurisdictions, efficiencies have likely been exceeded--that is, some consolidation has produced diseconomies of scale that reduce efficiency. In such cases, deconsolidation is more likely to yield benefits than consolidation. Moreover, contemporary research does not support claims about the widespread benefits of consolidation. The assumptions behind such claims are most often dangerous oversimplifications. For example, policymakers may believe "We'll save money if we reduce the number of superintendents by consolidating districts;" however, larger districts need--and usually hire--more mid-level administrators. Research also suggests that impoverished regions in particular often benefit from smaller schools and districts, and they can suffer irreversible damage if consolidation occurs. For these reasons, decisions to deconsolidate or consolidate districts are best made on a case-by-case basis. While state-level consolidation proposals may serve a public relations purpose in times of crisis, they are unlikely to be a reliable way to obtain substantive fiscal or educational improvement. As is evident in the above summary, findings based on available research suggest that decision makers should approach consolidation cautiously. Specifically, the authors recommend that policymakers: (1) Closely question claims about presumed benefits of consolidation in their state; (2) Avoid statewide mandates for consolidation and steer clear of minimum sizes for schools and districts; (3) Consider other measures to improve fiscal efficiency or educational services; and (4) Investigate "deconsolidation" as a means of

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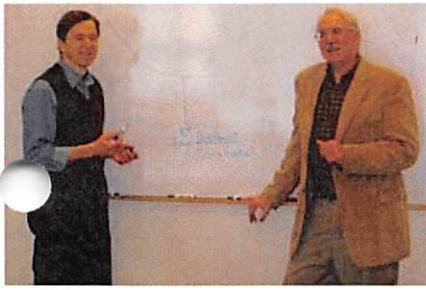
Feature

School District Consolidation: The Benefits and Costs

What recent research reveals about expected financial savings when small districts merge by WILLIAM D. DUNCOMBE AND JOHN M. YINGER

School district consolidation is a striking phenomenon. According to the National Center for Education Statistics, 117,108 school districts provided elementary and secondary education in 1939-40. By 2006-07, the number of districts had dropped to 13,862, a decline of 88 percent. The rate of consolidation has slowed in recent years, but at least a few districts consolidate every year in many states.

Most state governments have policies that influence school district consolidation. The most common form of policy is a state aid program designed to encourage district reorganization, typically in the form of consolidation, by providing additional money for operations or capital projects during the transition to the new form of organization.



John Yinger (left) and William Duncombe, both professors at Syracuse University's

Maxwell School of Citizenship and Public Affairs, have studied the economics of size in public education. Photo by Candi Patterson/Center for Policy Research, Syracuse University

The aid bonus from consolidation can be quite large. In New York, consolidating districts may receive an increase in their basic operating aid of up to 40 percent for five years, with declining increases for an additional nine years. On top of this aid, consolidating districts also may receive a 30 percent increase in building aid for projects initiated within 10 years of consolidation.

In many cases, however, state aid policies concerning consolidation are contradictory. In fact, about a third of the states, including some that offer consolidation bonuses, use operating aid formulas that compensate school districts for sparsity (low population density) or for small scale and thereby discourage consolidation, according to Yao Huang, a contributor to *Helping Children Left Behind: State Aid and the Pursuit of Educational Equity*.

So what do states do? Some recent research provides guidance for superintendents and school leaders, especially those facing consolidation.

Expected Savings

The main justification for school district consolidation has long been that it is a way to cut costs. These cost savings arise, the argument goes, because the provision of education is characterized by economies of size, which exist whenever the cost of education per pupil declines as the number of pupils goes up. In this context, the cost of education is not the same as education spending but is instead the amount a school district would have to spend to obtain a given level of performance, as measured by test scores, graduation rates and perhaps other output measures.

To put it another way, economies of size exist if spending on education per pupil declines as the number of pupils goes up, controlling for school district performance. Because consolidation creates larger school districts, it results in lower costs per pupil whenever economies of size exist.

Economies of size could arise for many reasons, which we discuss in "Does School District Consolidation Cut Costs?" in the fall 2007 issue of *Education Finance and Policy*.

First, the services provided to each student by certain education professionals may not diminish in quality as the number of students increases, at least over some range. All districts require a superintendent and a school board, for example, and the same central administration may be able to serve a significant range of enrollment with little change in total costs.

Second, education requires certain physical capital, such as a heating system and science laboratories, which require a certain scale to operate efficiently and therefore have a high cost per pupil in small districts.

Third, larger districts may be able to employ more specialized teachers, putting them in a better position to provide the wide range of courses required by state accountability systems and expected today by students and parents.

Finally, teachers in larger districts have more colleagues on which to draw for advice and discussion, interactions that presumably lead to improved effectiveness.

Mixed Signals

Though these arguments make a lot of sense, some factors cut in the other direction. First, consolidated school districts usually make use of larger schools, which implies that average transportation distance must increase. As a result, consolidation might increase a district's transportation spending per pupil.

Second, consolidating districts may level up salaries and benefits to those of the most generous participating district, thereby raising personnel costs.

Third, administrators and teachers may have a more positive attitude toward work in smaller schools, which tend to have more flexible rules and procedures.

Finally, students may be more motivated and parents may find it more comfortable to interact with teachers in smaller districts, which tend to have a greater community feel. These reactions and closer student-faculty relationships may result in higher student performance at any spending level.

Overall, the net impact of consolidation on education costs per pupil is not clear a priori. Some factors indicate consolidation is likely to tap into economies of size and thereby lower these costs, but other factors suggest consolidation might actually cause costs per pupil to rise. As a result, we now turn to empirical studies of consolidation, which can determine whether the net impact of consolidation on costs per pupil is positive or negative.

Empirical Evidence

A large body of literature has investigated the relationship between cost per pupil and district enrollment, controlling for school performance. Although these studies cover many locations and use various methodologies, most lead to the same conclusion that emerged from a study, "Revisiting Economies of Size in American Education: Are We Any Closer to a Consensus?" in the June 2002 issue of *Economics of Education Review*: "Sizeable potential cost savings may exist by moving from a very small district ... to a district with 2,000 to 4,000 pupils, both in instructional and administrative costs."

These studies estimate economies of size across all school districts and therefore do not look directly at the cost impact of consolidation. Another approach is provided by the two of us in our *Education Finance and Policy* article in 2007—namely, to see how costs per pupil change when districts consolidate. This study is based on all the rural school districts in New York state between 1985 and 1997.

During this period, 12 pairs of these districts consolidated. These consolidating districts had enrollments ranging from 250 to 1,990. To isolate the impact of consolidation, the costs in consolidating districts can be compared both with their own costs before consolidation and with the cost of similar districts that did not consolidate. The analysis controls for a variety of district characteristics, including two measures of student performance, namely the percentage of students achieving minimum competency on the state's elementary school math and reading tests and the percentage of students receiving a Regents diploma, which requires passing a set of demanding exams in high school. The second performance variable is important in New York because one argument for consolidation is that it facilitates the offering of special classes to support the Regents exams.

This study explores both operating and capital spending. To account for the extreme "lumpiness" of capital spending, it is averaged over a four-year period.

This study finds strong evidence of economies of size in operating spending but not in capital spending. More specifically, annual operating spending per pupil declines by 61.7 percent when two 300-pupil districts merge and by 49.6 percent when two 1,500-pupil districts merge. The savings are particularly large for the subcategories of instruction and administration, but the study finds no economies—or diseconomies—of size for student transportation.

Transition Costs

These results for economies of size are only half the story, however. This study also finds that consolidation involves transition costs not associated with enrollment. Both overall operating spending and operating spending subcategories exhibit a large upward shift in per pupil costs at the time of consolidation, followed by a gradual decline in per pupil costs in the following years. These extra costs appear to disappear after about 10 years. This study also finds large adjustment costs in capital spending, which appear to phase out even more slowly.

To some degree, these adjustment costs offset the cost savings associated with consolidation-induced enrollment increases. Over a 30-year period, the net annual savings after accounting for adjustment costs fall to 43.7 percent for a consolidation of two 300-pupil districts and to 29.6 percent for the consolidation of two 1,500-pupil districts. The savings are smaller with a 10-year horizon because the adjustment costs have not yet phased out.

These results are summarized in the table at right, which replicates data from our study appearing in *Education Finance and Policy* in 2007.

The large adjustment costs in capital spending identified by this study are difficult to interpret. They appear to reflect capital spending encouraged by the building-aid increases associated with consolidation. It is not clear, however, whether these capital spending increases lead to improvements in student performance in the future (that is, outside the sample period of the study) or whether they represent capital spending that does not have a student-performance payoff.

Non-Cost Effects

When deciding whether to encourage consolidation, state policymakers may want to consider several factors other than cost savings. To some degree, consolidation may break parents' valued connections with existing schools, result in higher transportation costs for parents and students, or raise costs for improving school outcomes other than the test score measures included in existing studies.

Because consolidation requires the consent of voters in all the consolidating districts, consolidation will not take place unless a majority of voters perceive the net benefits outweigh the costs. Nevertheless, the net benefits of consolidation to voters still could be far below the cost savings to the districts themselves.

Some evidence on these issues comes from two recent studies of the impact of consolidation on housing prices. These studies estimate whether people are willing to pay more for housing in a district after it consolidates. Using data from Ohio, David Brasington, writing in the September 2004 issue of *The Journal of Real Estate Finance and Economics*, found that, after controlling for student performance and property tax rates, consolidation lowers property values by about \$3,000 on average.

This result appears puzzling at first. If consolidation lowers property values, why do voters support it? In fact, however, the cost savings from consolidation are translated into either higher student performance or lower property tax rates, so this result simply indicates the cost savings from consolidation must be at least \$3,000 per household to offset the apparent losses from consolidation associated with less local control, lessened accessibility of teachers and school administrators, higher parental and student transportation costs, or other unidentified negative effects.

Another study of rural school districts in New York state by Yue Hu and John Yinger, "The Impact of School District Consolidation on Housing Prices" in the December 2008 issue of *National Tax Journal*, yielded results consistent with Brasington's. These results indicate consolidation boosts house values and rents by about 25 percent in very small school districts and that this effect declines with district enrollment.

When two 1,500-student school districts merge, the housing-price impact is only about 6 percent, and consolidation has no impact on housing prices in districts with roughly 1,700 or more students. This declining impact matches the declining economies of size estimated by our own study. Moreover, these results are consistent with Brasington's because they do not control for student performance or property tax rate, but instead estimate the net impact of consolidation, including both its impact on school costs and its impact on other things that households value.

Both studies state that the net impact of consolidation is lower than the cost savings, which means, on balance, households place a negative value on the effects of consolidation other than the cost savings. The net impact of consolidation is still positive for small districts, but this impact is not nearly as large as the cost savings alone.

Two additional findings from the Hu and Yinger study are worth mentioning. First, they found roughly a third of consolidation's positive impact on housing prices is due to the aid bonus that consolidating districts receive in New York. In the smallest school districts, consolidation would boost housing prices even without this aid increase, but the housing-price impact of consolidation would be negative for two 1,500-student districts if they did not receive additional state aid.

Second, the impact of consolidation on housing prices declines as house value and rent increase and is actually negative in the wealthiest neighborhoods. The negative value placed on the impact of consolidation outside the school budget apparently is greater (in absolute value) for households in neighborhoods with relatively expensive housing, predominantly higher-income households, than for households where house values and rents are relatively low. In short, consolidation is popular with the average household in small rural school districts in New York state, but it is not popular among households with relatively valuable housing.

Policy Implications

These results have several implications for public policy. The first and most important implication is that states are likely to save money in the provision of elementary and secondary education by encouraging their smallest districts, specifically those with fewer than 1,500 pupils, to consolidate with one of their neighboring districts. These cost savings come from economies of size, which are only partially offset by adjustment costs associated with consolidation.

Geographic barriers or other concerns may rule out consolidation under some circumstances, but the potential savings for small districts are substantial. Indeed, school districts with 1,500 students might be able to cut their cost per pupil by 30 percent through consolidation. These cost savings may not translate into lower spending, of course, if the consolidation leads to higher student performance for these small districts, but performance increases of this type are also a clear gain for society.

One final point for perspective is that even though consolidation-induced cost savings may be large for an individual district, they are inevitably small for the state as a whole because only the smallest districts in the state are involved.

Second, consolidation appears to have significant effects beyond cost savings for school districts. On the one hand, households, particularly those with high incomes, appear to value the features of smaller districts, such as better access to teachers and lower transportation costs. From society's point of view, therefore, the cost savings from consolidation are offset to some degree by the losses households experience outside the school budget. These losses do not eliminate the case for consolidation, but they do indicate the case for consolidation is stronger when a district has 500 or 1,000 pupils than when it has 1,500 pupils.

The existing property-value studies do not indicate exactly which features of consolidation are negatively valued by households, but they do show that negatively valued features exist. Further research is needed to identify what these features are and to determine the enrollment

size at which consolidation no longer makes sense. This enrollment size might vary, of course, across states or across circumstances.

The third lesson is that states would be well served by rethinking their aid programs that are linked to consolidation. Our 2007 study found evidence that capital costs shift upward substantially after consolidation, probably because of increased state aid. Some of this capital spending may be justified, but states should be careful to monitor such spending carefully and to direct post-consolidation building aid toward cost-effective projects that are part of a long-run plan.

The 2008 research finding by Hu and Yinger concerning state aid provides another key caution. Increases in housing prices associated with consolidation-based aid bonuses should not be interpreted as evidence that consolidation produces positive net benefits. Extra aid obviously benefits the residents of a newly consolidated district, but this benefit represents a transfer from state taxpayers and does not reflect cost savings. Without this state-aid effect, the net benefits of consolidation are positive only for the smallest districts. In fact, strong evidence for positive net benefits from consolidation, and hence for state intervention, only exists for districts with enrollments below about 1,000 pupils.

As a fourth lesson, states need to recognize that increased aid for school districts with small scale or high sparsity rewards districts for not consolidating. It makes no sense for states to encourage consolidation through one set of programs while discouraging it through others. It might make sense to compensate a district for the relatively high costs associated with a small scale if it is impossible for that district to consolidate. To account for this possibility, an aid program would have to identify factors that make consolidation impossible and limit sparsity aid bonuses to districts to which these factors apply.

Equity Grounds

Finally, this research indicates policymakers sometimes may confront a situation in which consolidation makes sense on equity grounds but does not result in decreased costs from society's point of view. A small, poor district would undoubtedly experience a decline in cost per pupil if it merged with a richer neighbor. Moreover, the increase in the average property tax base from such a merger would lower the property tax burden on this district's residents. As a result, this type of consolidation would improve the fairness of the education finance system in the state.

However, a consolidation of this type is unlikely to take place. First, the high-income residents of the neighboring district may not perceive any net benefits from consolidation, even if they are small enough for economies of size to kick in. As shown in the research by Hu and Yinger, high-income residents tend to lose from the effects of consolidation other than school cost savings.

In addition, Brasington's study shows that voters in a high-income district are unlikely to approve consolidation with a low-income district because this type of consolidation would increase their property tax burden, even holding spending per pupil constant.

If consolidation is deemed to be desirable on equity grounds, therefore, state aid bonuses may be needed to convince high-income voters to go along. Hu and Yinger suggest these aid bonuses add to the perceived benefits of consolidation as reflected in housing prices and might be sufficient to induce voters in the richer district to approve consolidation.

Advantageous Factors

Debates about school district consolidation often involve a great deal of heat and not much light. Recent research can bring some light to bear on this issue by identifying the circumstances under which consolidation can take advantage of economies of size, by identifying the adjustment costs that may accompany consolidation, by measuring the value that voters place on the non-cost impact of consolidation, and by identifying the circumstances under which consolidation is likely to be accepted by voters.

Because consolidation involves small school districts, it cannot generate large cost savings at the state level, but under some circumstances it can result in large cost savings for individual districts or enhance the fairness of a state's education finance system.

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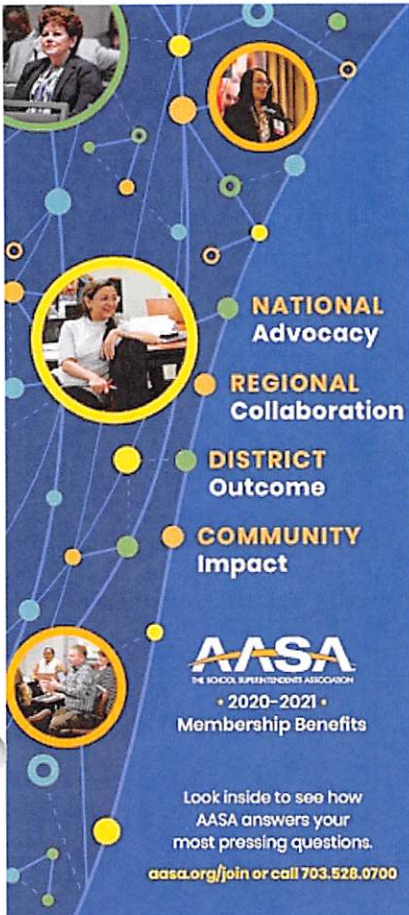
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