

MERGER: MONEY SAVING MAGIC OR MYTH?

POLICY BRIEF:

**SCHOOL DISTRICT
MERGERS AND
CONSOLIDATIONS
IN NEW YORK STATE**



SCHOOL DISTRICT MERGERS AND CONSOLIDATIONS:

Public sentiment on this issue is complex, as people simultaneously believe that consolidation or merger would save money and yet the public fails to focus on the educational opportunities available through differing school structures. They have an overwhelming, visceral reaction opposing the actual merger or consolidation of their own schools (as evidenced by the dramatic statistical rejection of local merger and consolidation votes in New York State over the past 20 years.)

1. According to reknown shared services expert, Cornell's Dr. Mildred Warner, New York State leads the planet in collaborative municipal services. Not only are both formal (eg. the town and school and/or county share the costs of construction and maintenance of a diesel fueling station) and informal "handshake" agreements prevalent (the town plows the school in winter in exchange for the use of school ballfields for town summer youth programs), but the state utilizes a financially incentivized shared services program for its elementary and secondary educational institutions (BOCES).

2. Formal school district consolidations and mergers are a statistically rare occurrence in New York State, despite a financial incentive program that has been in place for more than a generation. The public, rather than publically elected school officials have most often been the cause for the rejection of the construct, for the following reasons:

A. New York State currently has an attenuated process for the approval of school district mergers and consolidations. That process includes approval by all involved boards of education, the creation of a study that includes logistical, financial and educational ramifications of the proposed convergence, a showing of public support by all involved communities (typically approval by all communities through use of a straw vote) and then a second, formal vote requiring not merely a majority of those voting, but a majority of those voting in each involved community.

B. Finances: In a convergence of any two or more school districts, one will have an increased resulting property tax rate (either in the short term, or following the expiration of state merger or consolidation incentive aid.) This results from the blending of the two or more tax rates in the new district.

C. Emotional: Communities experience tangible effects of a merger or consolidation of school districts. There is a degree of loss of community identity with the closing of any school facility, the localized financial impact of having an employer of such magnitude leave the community and the loss of shared activity leading to a sense of community (youth sports, plays, graduations, etc.) In many cases, rural communities in particular are unable to sustain themselves following the loss of a school.

D. Political: Local school employee bargaining units often oppose mergers and consolidations in the belief that they would result in decreased employment for unit members. This may or may not be accurate, given the design of individual mergers or consolidations. Currently in New York State, it is unlikely that jobs would be lost, as districts seek to not only save money, but expand educational opportunities for students. For instance, since mergers and consolidations often arise from frustration in being unable to provide an academically competitive curriculum, a merger may result in a former district's loss of high school staff, but the newly shared high school may offer an expanded curriculum offering even more employment opportunities for the staff of the former high school, due to an expanded curriculum.

3. Two of the most prominent studies on mergers and consolidations of school districts were conducted here in New York State; one by the Center for Government Research in Rochester and the other by the Maxwell School of Citizenship and Public Affairs of Syracuse University. The dominant conclusion of existing research is that mergers and consolidations of school districts do not result in sustained financial savings. In New York State, this results from two main factors:

A. Collective bargaining laws typically force the new or enlarged district to "level up" the contracts of whichever former district paid less. Though there may be savings through the elimination of a few administrative positions, this does not offset the increase in dozens of staff salaries.

B. Transportation costs are greater in the newly enlarged district, as buses must travel further to cover student pick up and drop off. Transportation to special educational and BOCES facilities located outside or at the far end of the enlarged district may increase depending on the location of the new district's transportation facility and the home location of students who formerly were served by a geographically smaller, closer district.

4. Studies have also revealed an economic loss in any community experiencing a closed school. Indeed, there are circles of impact, beginning in the area immediately surrounding the school itself and extending out a number of miles. These communities typically experience a loss of shared identity, loss of shared activities and loss of economic activity. Parents experience increased hardship in transporting their children and arranging the timing of transportation with their own work schedules. These communities frequently experience decreased population following a closed school.

5. The combining of school districts or the restructuring of schools among districts has, however, shown the ability to increase educational opportunities for students. Financially challenged school districts often struggle to provide even the bare minimum courses mandated by the state. Restructured schools that share resources with another school district may take advantage of any number of structures that enhance the education of the community's students. For instance, the newly formed district may offer two specialized secondary schools, rather than one high school. They may turn a newly unneeded middle school building into a specialized school for science or the arts.

Regional high schools have succeeded in many states, including those bordering New York State. In these states, students attend elementary and middle schools in their local community (maintaining a community identity and reassuring parents of close proximity to small children) while providing the expanded educational opportunities of a regionalized facility at the secondary level. Efforts in New York State to allow more than the handful of existing regional schools have been met with opposition by labor unions, again on the premise that regionalization might result in fewer employment opportunities. Current regional public schools in New York State (typically on Long Island, where K-8 districts send students to a shared regional high school) are generally deemed to be educationally successful.

6. Due to the highly emotionally charged atmosphere typically surrounding mergers and consolidations of school districts, regional and state elected officials have been hesitant to opine on the merits of specific community activity and thus far have been reluctant to pass legislation and/or regulations that would make school district mergers or consolidations more likely to succeed. Efforts to streamline the process of community approval (such as requiring only one vote rather than two, or to require a simple majority of the total of all voters plus the approval of all boards of education) or to allow regional high schools have been

met with resistance from interest groups (for example, legislation by Sen. Cathy Young to allow regional high schools has been stalled in the Assembly for years, despite a long history of educational and financial success in regional high schools both within and outside of the state.)

7. Within the current structure, school districts have nonetheless been creative in their attempt to minimize community costs of education, while providing educational opportunities for their children. For instance, some communities pay tuition to other districts for some or all of their secondary level students. They may send all of their students to a nearby district (such as Ripley paying tuition for all high school students to Chautauqua Lake) or they may pay tuition only for students seeking specific educational opportunities that are unavailable in their own district. Districts may create "magnet" schools, whose student population is not based on geographic proximity, but rather on educational subject interest or affinity, etc.

8. Some (typically small) school districts share administrative staff, such as a superintendent. In some areas, this has worked well for a period of time, while others have abandoned the construct due to the superintendent's time away from the district and (rather dramatic) increases in administrative responsibilities imposed by New York State. These include increased issues of school safety, disturbing increases in student poverty, increases in the number of English Language Learners, increased transience, the impact on students of parental use of opioids, participation in teacher performance evaluations, required involvement in disciplinary and special educational decisions and a new focus (both at the state and federal level) of allocating resources evenly across all schools within a district. All of these factors (and many more) have made it difficult for struggling school districts to decrease administrative staff or to share them among neighboring school districts. For instance, a district may decide to employ one principal for both their elementary and middle schools, but the move may require the employment of new administrators to address curriculum, evaluation and/or other building level issues left unaddressed by the loss of the principal.

9. The frequent loss of student enrollment, combined with the loss of economic activity in areas of New York State outside of New York City experienced during the Great Recession, as well as the reduced education aid provided by the state during that time and the imposition of a cap on the local property tax levy that has averaged less than 1% per year has resulted in increased pressure on mainstream school districts to explore ways to continue providing existing educational programs and services, let alone expand their curriculum to mirror that long provided by financially healthier suburban school districts. To date, the state has not provided legislative or regulatory relief that would support such savings. With budgeting that is built on annual state and local revenue, school districts are unable to plan effectively on a long term basis. Large geographic boundaries of many school districts make the physical logistics of sharing programs and services untenable, if not financially incentivized through BOCES.



Nonetheless, districts are embracing the dramatically improving opportunities provided by digital learning, which like the school bus, is breaking the barriers of time and distance to allow students of like abilities or interests to combine around an effective learning modality. Many of the educational opportunities and financial savings currently presented to school districts hinge on the success of the federal E Rate program to wire communities for high speed internet access, or New York State's Smart Schools Bond Act program that allows districts to apply for technology funding. At this stage, the educational and financial benefits (including the probability of tax savings) of technology in education is apparent. Yet, in many communities we have not taken advantage of it, as many homes still do not have access to high speed internet services that would maximize that educational delivery system.

The national marketplace for digital educational programs created by the establishment of shared educational standards has spurred a dramatic expansion in both the broad array and the quality of digital learning platforms. (Don't think of one teacher of Chinese language beamed out to several schools, think of airline pilot simulators, digital simulations of medical surgery or the military applications of the video game Call of Duty and its variants.) Digital learning has the ability to provide effective learning in school districts that are fiscally challenged. Many such programs have shown an ability to individualize student learning and to remediate for the effects of poverty or English as a second language.

Sadly, here too, New York State lags behind the nation in providing the local authority that would allow flexibility in the use of digital instruction (again, resulting from the political influence of opposing interest groups.) New York State's laws and regulations have not adjusted to this educational option and thus New York State lags behind many other states in its use of digital learning programs, failing to reap the educational and financial benefits it provides.

WHERE WE STAND: The simple fact is that in an age when the state distributes its education aid through a system that is universally regarded as the worst in the nation (as it relies far too heavily on local taxation, creating tremendous disparity between the education provided between school districts of varying fiscal capacities) and when it has limited both state and local aid to the rate of consumer inflation, it has by design left school districts with only one method of reducing ever increasing costs; eliminate people.

Eliminating personnel in education has thus far resulted in reduced educational opportunities at the local level, while it has failed to constrain the costs of public education. Case in point: New York State lost approximately 10,000 educationally related positions during the Great Recession and today continues to spend more per student than any other state. In total, our state annually spends more than the federal government on public education. The elimination of these positions not only failed to stem the tide of educational costs, it contributed to the decline of New York State's economic position. Our state (and particularly all regions geographically above New York City, according to the U.S. Census) has lost over 150,000 people each of the last six years. Diminished economic activity and population have created a descending spiral of increased taxation and borrowing that serves as a disincentive to young residents to remain in the state. The combined factors of high student debt, high taxes and fewer economic prospects are driving our young residents elsewhere and unlike other states, they are not returning home. This obviously does not bode well for the long term health of a state that already carries the highest per capita debt in the nation, assuring high taxes into the foreseeable future.



POLICY RECOMMENDATIONS

1. Update the school district merger and consolidation laws and regulations to enable a more democratic and workable expression of the public's will. The current requirements virtually assure failure of any local effort to combine school districts.

Features of an updated system should include:

- A.** Affirmative votes of the boards of education in each affected school district.
- B.** A comprehensive study of the educational, economic and logistical impact of a proposed merger or consolidation.
- C.** A single majority (combined) affirmative vote on whether or not to merge or consolidate rather than affirmative votes in each of the affected school districts.
- D.** Consent by the commissioner of education.

2. School districts should be given the authority to join together in creating regional high schools. These schools should be allowed to form based on subject focus, as well as geography. The goal of these schools is to preserve local community identity and economy by retaining a school district's elementary and middle schools, while expanding educational opportunities at the high school level.

3. Additional authority should be provided to school districts to utilize digital learning. Laws and regulations currently limiting its use should be reviewed and updated to reflect the dramatically improved educational opportunities available to fiscally challenged school districts through the use of digital learning platforms.

4. The state should undertake a comprehensive review of existing educational requirements in an effort to eliminate outdated and overly burdensome laws and regulations. Much of the fiscal challenge of public education stems from the overlaying of new requirements onto existing ones, without an examination of the cumulative educational and administrative impact of these laws and regulations.

5. Improve the state's school funding distribution scheme. Always sited as the nation's most inequitable school funding system (due to its over-reliance on local revenue), the state must address the disparity between wealthy school districts and those unable to raise significant local revenue. The current system has been ignored, cut and manipulated, all without accurately assessing a community's ability to contribute to the education of its children and making up the difference. Increased poverty, decreased local economic activity in vast rural areas of the state and increased student transience have increased educational challenges, all without any change in the state's funding mechanism.

SUMMARY: Efforts to make public education more efficient, as well as more effective are therefore to be applauded and encouraged. Proven, innovative initiatives abound. The swiftest and surest path to fiscal efficiency, as well as improvements in student academic performance, however, lies in the advocacy needed to rouse New York State from its generation of educational structural hibernation, rather than in incremental, individual savings that are swallowed up by a system that almost never allows relief from any responsibility when it imposes additional requirements. Let's be clear, it is the status quo that is drowning New York State's public educational system in an ever rising tide of mandates, without sufficient state resources to accommodate them; thus leaving local taxpayers to absorb the cost of state imposed dictates.

The use of computers to design shared transportation routes between adjoining districts is a great idea. The use of high quality, supervised digital learning platforms can be transformative. But ultimately, New York State's public educational system is a heavily laden ship in a stormy sea of increasing social

as well as educational responsibilities, legislatively and regulatorily unable to turn swiftly enough to face new waves of public expectation. In a system so constricted in its use of personnel, it is only in improvements to public policy that we will provide the flexibility needed to induce cost savings, while maintaining the delivery of educational programs and service the public rightly demands.

Simply put, the public must exert sufficient political influence to demand meaningful educational improvements for its children, while reducing individual taxation rates at the local level. State leaders must be responsive to economic and constitutional factors, as well as political ones. While this seems an unwieldy goal in New York State, it is a goal accomplished by half of the states in the nation, all of which provide an equivalent or better educational experience for its children at a lower cost to local property taxpayers.

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