Reaction to

"Observations on School District and Service Consolidation in Michigan" Working Paper #17 by David Arsen

Education Policy Center at Michigan State University
Working Paper #18

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By Sharif M. Shakrani

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School District Consolidation in the United States

Many states across the country are considering school district consolidations as an approach to reorganizing the school systems into larger, more economically efficient, and educationally effective service providers. Most of these efforts are aimed at consolidating small school districts which are viewed as less economically efficient.

Legislative and state education commissions In Arkansas, Indiana, Maine, New Jersey, New York, Pennsylvania, and Vermont are working on legislative efforts to consolidate school districts with fewer than 1,500 students in order to reduce costs and improve the quality of educational services to students. Other states such as Wisconsin, Nebraska, Illinois and Kansas are also considering consolidation of as a means of cost reduction.

School District Consolidation in Michigan

Presently the State of Michigan has 550 public school districts. The 550 public school districts in the state are diverse and vary in size of student enrollment between 85,000 students in Detroit to very small districts such as Oneida Township School District #3 in Eaton County with 12 students and one teacher. Overall, the average enrollment in the 550 districts is 2,705 students; however the median enrollment is only 1,559. In all, 260 out of 550 districts (47%) have less than 1,500 students per district. In fact, there are only 35 districts (6% of the total) with student population of 8,000 or more. Given our difficult economic conditions across the state, it is logical to ask: Is it necessary for Michigan to support 550 separate school districts with each district having its own growing administrative costs related to increased costs of services, transportation, food and human resources? Would the reduction in the number of school districts, especially small school districts, lead to improving the effectiveness and efficiency for the educational system in the state? Only four states (California, Illinois, New York and Texas) have more school districts than Michigan. However, all four states have significantly larger K-12 student population than Michigan. Research findings indicate that many of the highest achieving states are organized into fewer school districts and are able to provide quality educational services in a cost efficient manner. It would behoove Michigan policymakers to consider a pilot program to encourage small school district restructuring program that could result in the consolidation of all non K-12 district and districts with fewer than 1,500 students. If fully implemented, such restructuring would reduce the number of school districts in the state from 550 to 290 in number, districts similar to the national average of 289 districts per state. Small school districts in rural and economically depressed areas are

not able to offer the needed preparation in mathematics, physics, chemistry, technology, and language skills necessary for success in postsecondary education and in the growth areas of engineering, health, technology and education.

Reaction to Professor Arsens' Critique

My "School District Consolidation Study in 10 Michigan Counties" study was published in August, 2010 by The Education Policy Center at Michigan State University. It was intended to measure the financial impact of consolidation of schools at the county level akin to other states like Virginia, Florida and Maryland. The study was recently critiqued by my colleague at Michigan State University, Dr. David Arsen in a paper entitled, "Observation on School District and Service Consolidation in Michigan" (January, 2011).

My study was commissioned by the Booth Newspapers of Michigan and concentrated on 10 counties served by the newspaper. These ten counties have 120 districts and serve approximately 407,000 students in their public schools. I estimated the saving from administrative consolidation at the county level to be about $144 million for these ten counties. I also estimated the savings from coordination of services such as purchasing, transportation, maintenance rather than actual consolidation. This estimate was about $60 million for the ten counties. When comparing these estimated savings to the total General Fund Expenditures for education in these ten counties, the savings are small, about 3.72% for administrative consolidation and 1.55% for coordination of services. When the same formulas were applied to the statewide data, the saving was estimated at $612 million for county-wide consolidation and $328 million for county level coordination of services. While these are large numbers, they in fact represent a small fraction of the total education cost. The consolidation of schools would produce about 3.6% savings, while coordination of services would result in 1.9% savings - - hardly a huge percentage of the $17 billion spent on public education annually in Michigan.

Instructional Support Estimate

I consider my estimates for instructional support savings to be conservative, because I chose to limit the savings to lower percentages than other studies propose. I did this for two reasons:

1. I assumed that there will be no reduction in the instructional and administrative staff (teachers, principals, and support staff) at the school building level. The saving are derived from instructional support such as purchases of educational materials, technology, and district wide support services in specialized areas such as special education, technical education, English Language Learner Programs and fine arts and physical education programs.

2. Consolidation at the county level can afford the constituent districts the opportunity to save on the purchase and maintenance of new technology to support instruction. On-line

courses and use of modern technology to support instruction would be carried out more efficiently when it is centrally coordinated and purchased in large volume.

Administration Cost Estimate

The Michigan Center for Educational Performance and Information (CEPI) reports all district administrative costs in one category (column J) on the County Educational Expenses tables. It was estimated that 15% of the central administration totals would be saved through consolidation. This percentage is supported by data from Florida and Virginia with county-level district configuration. Fifteen percent is considered a conservative estimate because a report by Lynn Bergman, “Does School District Consolidation cut costs"; (January, 2010, dakotabeacon.com) indicates a significantly higher percentage in savings from central administration is derived from consolidation of small school districts.

Transition Costs Estimate

Professor Arsen’s critique suggests that the “transition cost” was ignored in my study. That is correct, the transition costs are not easy to estimate because they vary significantly from district to district depending on size of the districts, existing labor contracts, and other specific factors related to capital outlays. The estimates developed for my study were intended to take effect three years after the consolidation was completed in order to eliminate the impact of the varied transition factors.

Conclusion

Professor Arsen concludes that the most striking feature of the study is its assumption that the rate of saving would be the same for every district. A careful reading of the paper would clearly indicate this is not the case. I specifically state that the estimated saving percentage “may not apply equally to all size districts.” The average numbers may over- estimate the saving for school districts with 10,000 or more students and under-estimate the savings for districts with 1,500 or less students. The linear straight line regression equation is intended as an overall estimate for the 10 counties studied, and by its mathematical traits will over estimate for some districts and under estimate for others. There are virtually no comprehensive and scientifically designed research studies on the financial impact of consolidation at the county level. Most of the studies deal with the specific consolidation of few districts in rural areas, so it is not possible to judge which estimates are accurate and which are not. In most cases judgments are made based on emotions by proponents, or opponents, of school consolidation. The changing needs of the workplace and the desires of the citizens for better education for future generations of our population will force us to take a more serious and unbiased look at our educational system to ensure that we remain competitive in the global economy. Restructuring our K-12 education to make it meet the changing demands of the 21st century is a step in the right direction.