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It's Elementary

A Monthly Column by EFAP Director John Yinger

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School District Consolidation

School district consolidation, which has reduced the number of school districts in the United States by over 90 percent since 1938, is one of the most dramatic trends in American education. Nevertheless, some states still have many small school districts, and consolidation continues to be a subject of debate.

Existing policies suggest that policy makers are somewhat ambivalent about consolidation. To be specific, many states have some policies that reward districts for consolidating along with programs that provide extra state aid to the smallest or most sparsely settled districts. In this setting, it is important to know whether school district consolidation actually reduces education costs per pupil. In the language of policy analysts: Are there economies of size in education production?

Economies of size could arise for several reasons. 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. For example, the central administration of a

district may require the same number of employees, regardless of whether the district has 100 or 1,000 students. Moreover, economies of size might arise if larger schools are able to employ more specialized labor, such as science or math teachers. In addition, teachers may be more productive in a large district because they can draw on the experience of many colleagues.

These arguments are not decisive, however, because diseconomies of size also might arise under some circumstances. To the extent that consolidated districts make use of larger schools, for example, transportation distance per pupil must increase. Furthermore, administrators, teachers, and students may have more positive attitudes, and hence be more productive, in smaller, more personal school districts.

The only way to sort this out is by looking at the evidence. A recent study by William Duncombe and myself examines consolidation in New York State's rural school districts between 1985 and 1997. More specifically, this study examines the link between school district consolidation and cost per pupil, holding student performance constant.

We find substantial economies of size in both operating and capital spending. As expected, clear economies of size appear in key functional subcategories of spending, including teaching and transportation. In the case of administration, for example, doubling district enrollment cuts administrative costs per pupil by more than forty percent. Surprisingly, we also find economies of size in transportation; apparently, savings in maintenance and in the scheduling of buses and drivers in larger districts offsets any increase in route lengths. Overall, doubling enrollment cuts total costs per pupil by 28 percent for a 300-pupil district and by 9 percent for a 1,500-pupil district.

We also find however, that state aid policies in New York encourage extensive capital spending at the time of consolidation. As a result, consolidation leads to a boost in capital spending that offsets these enrollment-based cost savings by about 5 percentage points. Consolidation also results in small short-run adjustment costs in operating spending, but these costs phase out quickly over time.

We conclude that consolidation is an effective cost-reduction strategy for rural school districts, particularly when they are very small, and that states should make certain that their post-consolidation aid programs do not encourage wasteful capital projects.