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## Pennsylvania School District Merger: A Procedural Overview

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### **A BRIEF HISTORY**

While certainly not common, school district merger is not new to Pennsylvania. Beginning in the 1960's, Pennsylvania was subject to a state-wide effort to reduce the number of school districts and saw a steep decline from 2,277 districts down to 669. This event was repeated in the 1970's when the number dropped to 505, and then ultimately to 501. Though periodically discussed—oftentimes heavily—there has only been one voluntary district merger since the 1960's. Thus, the process and protocol for merger remains somewhat vague and ambiguous.

### **STATUTORY PROCEDURE**

The Pennsylvania School Code provides a general outline of the procedural steps for school districts to follow when contemplating or pursuing a merger.

Section 2-224 of the School Code empowers the Board of Directors of any two (or more) school districts to adopt a resolution for merger. The resolution must only be adopted by majority vote, and it must substantially outline the areas to be combined.

Once a resolution is adopted, the districts must file an Application for Approval with the Pennsylvania Secretary of Education at which time the Application shall be placed on the agenda of the State Board of Education. Once the Application is on the State Board's agenda, the Board shall review and approve the Application, as it deems appropriate. Alternatively, the Board may permit or request other interested parties to

file objection(s) to the Application. In the event the Board does not approve the Application, the Application is returned to the requesting districts for resubmission once any Board recommendations are addressed.

When an Application is ultimately approved, the State Board of Education directs the Secretary of Education to issue a certificate – officially creating the new district. The certificate details the district name, constituting components, classification, and effective date of operation.

Once merged, Pennsylvania statute provides that all property, indebtedness, and obligations of the former districts become the property, indebtedness, and obligations of the newly constituted district. Thus, any creditor rights which existed against any of the former districts are preserved against the new district.

## **GENERAL CONSIDERATIONS**

While Pennsylvania law suggests the process is a fairly simple, straightforward approach, the reality is quite different. The Pennsylvania Economy League conducted an intensive case study in coordination with the Pennsylvania School Board Association (PSBA) and developed an extensive “checklist” for districts to review when contemplating merger. Though by no means is the checklist exhaustive, it is informative.

The checklist can be broken down into three primary areas: 1) Deliberation; 2) Identifying Potential Partners; and 3) Finding Allies. A copy of the checklist is attached hereto as Exhibit A.

### **Deliberations**

The crux of the Deliberation category is to essentially understand the district. What does the current and future enrollment of Columbia Borough School District look like? How is the population made up, and what will it look like in five years? How are community demographics changing that will impact enrollments? What is the financial strength of the District? What are anticipated revenues and expenditures over the next 3-5 years? To fully conduct this step, it may be necessary for the district to engage the services of an outside consultant to prepare a feasibility study.

Performing this sort of self-assessment will provide the District with insight into which areas are of greatest concern when considering merger. Further, once it's understood which areas are of greatest concern, the district can most appropriately move on to the next issue of Identifying Partners.

### **Identifying Potential Partners**

When identifying potential partners, the district will want to consider various factors. From geographic location, to district policies and procedures; to enrollment and course offerings; to facility capacity and the ability to create a common sense of community, the concerns are many.

The Columbia Borough School District is bordered by the Hempfield and Penn Manor school districts – two currently financially solvent districts with a fairly common sense of community with Columbia. Exploring

the give-and-take relationship that can be formed with these districts would be paramount to Columbia developing a feasible merger scenario.

### **Finding Allies**

Once Columbia is able to obtain a strong understanding of its own district, and has identified where it can both benefit and benefit from its potential partners, it is time to sell the idea. Beginning initially with administration to compile a cohesive message, local leaders and politicians can be essential to accomplishing the final merger.

In addition to the checklist, the separate PSBA study revealed a conflicting set of data. Much of the data collected by PSBA suggested that most districts do not realize financial savings. To begin, there are substantial up-front costs that must be borne in conducting the initial investigations and feasibility studies, as well as legal costs to properly negotiate the merger. In addition, there are financial costs in re-negotiating employment contracts and leveling-up of teacher salaries and the unification of instruction materials. Notwithstanding these general impediments, Pennsylvania does have an example of a merger success story in the Central Valley District merger – the only district to actually move past the contemplation phase and carry through a complete merger (the formal merger occurred on or about 2009, but the groundwork began in approximately 2005). In that scenario the newly formed district saw both financial savings and increased student success. A copy of the PSBA study is attached as Exhibit B.

### **THE CENTRAL VALLEY SCHOOL DISTRICT**

As previously mentioned, The Central Valley School District is the only Pennsylvania school district to have successfully completed a voluntary merger since the 1960's. Located in Beaver County, the district is the end product of a merger between the prior Center Area School District and Monaca School District. Center, a district of roughly 34 square miles, and Monaca, a district of roughly 2 square miles, began preliminary merger discussions in 2005. The process involved the formation of an advisory committee, numerous public meetings, and community outreach programs. The district also commissioned two separate feasibility studies which generated multiple scenarios pertaining to a merger. Ultimately, through their efforts, the districts were able to obtain support from both district Boards of Directors. The 2009-2010 school year marked the start of the merged district with elementary students merging. Secondary schools merged in the 2010-2011 school year.

The Central Valley merger is unique not only in the sense that it is the only case to go through a voluntary merger since the 1960's, but also because it was one of the few cases where a merger made financial sense. It was no secret during the initial discussions that both districts were facing declining enrollments. Courses were being discontinued or cut due to low numbers. Monaca was looking at significant infrastructure costs and increasing taxes on an already over-taxed population. Merging the districts allowed for the

equalization of millage rates and the ability to more broadly spread the cost of education. Following the merger, the Central Valley School District was able to substantially reduce education costs.

Further, the merger made sense for educational reasons. Monaca struggled with student performance and reaching benchmarks on standardized tests. On the other hand, Center consistently outperformed the state average. Merger provided an avenue for more uniform instruction, the sharing of resources, and ultimately better student success. Results post-merger have shown increased student performance above the state averages.

Perhaps, however, one of the greatest take-away lessons from the Central Valley merger is the lack of procedural clarity. Throughout the process, the Center and Monaca districts were repeatedly seeking guidance and approval from the Secretary of Education and the State Board of Education. The process was ill-defined and seemed to evolve along the way. Further, following the merger, the state has not provided any clear guidance of the expectations of or process required by either the Secretary of Education or the State Board of Education. As such, any future merger by other districts will likely encounter similar ambiguity and need to rely heavily on case-specific guidance from the Secretary of Education and the State Board of Education. A copy of an excerpt of a report by the Joint State Government Commission entitled “School Districts in Pennsylvania: Ways to Work Together” is attached hereto as Exhibit C.

## **Conclusion**

It is evident that the undertaking of a district merger would be an intensive process, requiring significant time, effort, and financial expenditures. As can be seen by the PSBA study, evidence exists to suggest school mergers do not necessarily provide expected reductions in financial costs, and that mergers may in fact have a negative impact on academic achievement. However, as discussed above, the PSBA study, which highlights the potential negatives of merger, appears to be somewhat contrasted by the case study of the Central Valley SD, which—based on the unique circumstances of each of the merged districts—ultimately appears to have provided both financial and academic improvements.

The relatively scant statutory guidance for district mergers, combined with the historical infrequency of actual district mergers (together with the somewhat contradictory empirical evidence of the financial and educational benefits of district mergers) coalesce to create a very uncertain procedural and substantive case for district mergers. Simply put, there are too many variables to consider on a case-by-case scenario to draw any universal conclusions about the efficacy of a district merger process. While the potential exists that a merger would be a benefit to the students of the Columbia Borough School District, that potential is not a certainty; it is equally possible that any benefit to the students could be outweighed by the financial burden placed upon the tax payers of the respective, or newly combined, districts. As a result, the only realistic way to ascertain the viability of a proposed merger is to take serious, affirmative steps to analyze the current and future climate of the Columbia Borough School District and any potential (willing) district merger counterparts. However,

absent the consent of a willing district-merger counterpart, it would seem notably premature for the Columbia Borough School District to incur the expenses associated with such a merger feasibility study.

EXHIBIT "A"

## APPENDIX 5

### SCHOOL DISTRICT CONSOLIDATION CHECKLIST

# SCHOOL DISTRICT CONSOLIDATION CHECKLIST PENNSYLVANIA SCHOOL BOARDS ASSOCIATION November 2008

The changing demographics and economics of Pennsylvania are energizing discussions among school districts that span from sharing services to physical consolidation. Some discussions are driven by circumstance—such as a declining tax base or decreasing enrollments, others by a desire on the part of communities to maintain or expand strong academic and student support programs.

The time to consider options is before external events force the issue. This allows school districts the time to do a thorough self-evaluation and to examine their options with a maximum of local control. That is the purpose of this checklist: to help school districts *think through* their opportunities and options.

School districts have three primary options to consider: *functional* consolidation (existing districts sharing resources), mergers (one school district becomes part of another school district), or *physical* consolidation (two or more school districts become a new single entity). In each case, the consideration process is similar with three major steps:

- Deliberation,
- Identifying potential school district partners, and
- Finding allies.

The basic structure of the following checklist is divided into these three steps. Most activities can be simultaneously considered, and though there is a general order to the process, most activities will have overlap. A brief overview of each step follows.

#### **Deliberation**

Each school district should begin their considerations using the following five areas of self study:

- Analyze the district's current environment
- Generate predictive data (usually five years)
- Perform a academic self assessment
- Anticipate significant events or changes
- Identify advantageous shared resource opportunities for the school district.

#### **Identifying Potential Partners**

Finding potential partners will, most likely, begin with contiguous or nearby school districts.

Building upon the self-assessment performed under the first step, find matches that can provide maximum mutual benefits for sharing resources. Look for additional pluses such as a shared sense of community, history of shared services, complementary academic strengths, and varied programs/facilities that can be extended to all students in a consolidated district. Combining the best of existing districts can produce an even stronger school system.

Begin with the three foremost challenges when identifying partners:

- Can millage and other tax rates be standardized across communities?
- How soon and how easily can a combined collective bargaining agreement be negotiated and accepted?
- Are existing debt levels approximately the same with similar timeframes to retire debt?

Other information can be obtained from internet searches and public databases. Statewide organizations, including the School Boards Association and the Pennsylvania Department of Education, can provide for your review:

- District policies and procedures
- General operations and staff levels
- List of course offerings
- Grade configurations
- Facility capacity and use
- Enrollment patterns
- Achievement measures
- Planning documents and summaries
- Demographics of communities in the school district.

### **Finding Allies**

The final step is to **ally** with one or more school districts for further study. Approach other districts strictly limiting discussion between administrations. Proceed by sharing information, and then combine the most recent financial, academic and staffing data into one consolidated school district. This clearly represents how a consolidated school district would have performed if it functioned during the preceding year. The “paper” consolidation may be developed in-house or by a research organization. The topics are:

- Academic programs
- Student services
- District governance
- Staffing levels and bargaining agreements
- Operations and facilities
- Finances/tax base
- Community involvement.

### **Determining Your Options**

The final goal of using this checklist is to understand the viable options available to a school district or for a group of school districts. Generally, consolidation or sharing resources are built upon three pillars:

- Expanded student opportunities
- Cost savings or future cost avoidance

- Support of the community.

First and foremost is supporting/sustaining academic programs and student support. If the existing academic program is diminished or impaired, the responsible options should not be deemed viable. *Viable* options are based upon:

- Research, valid assumptions, predictions, and experience of current administrators and teachers
- A high probability of implementation
- Flexibility so that efforts can be adapted or tweaked as needed
- Avoidance of “winners” or “losers” in the consolidation or resource sharing process.

Board members need to know the impact of consolidation upon students, instruction, district governance, finances, and the community. Consolidation is not without risk, pitfalls, and controversy. It requires additional effort from administrators and teachers to ensure its success, and a commitment from the general community to support the goals of consolidation. Hence, options that cannot earn professional, community or taxpayer support may not be viable. Support of stakeholders will be dependent upon:

- Expanded student opportunities
- Potential long-term savings related to building renovation and shared construction
- Lower administrative costs
- Keeping the best of existing district instructional programs and teacher expertise
- Motivation to plan the district’s own destiny
- Finding lower costs and higher efficiencies.

### Checklist Overview

The following checklist directs school districts and communities through data collection and analysis. It serves to provide information for ongoing discussions and provides a common reference point to guide those discussions. Please note that all data requirements set by the Pennsylvania Department of Education to date have been included in this checklist.

<b>1.0 Deliberation</b>	<b>2.0 Identifying Potential Consolidation Partners</b>	<b>Ally With Districts: 3.0 Academic Programs</b>
1.1 Describe Current School District Environment	2.1 District Policies and Procedures	3.1 General Overview
1.2 Generate Predictive Data	2.2 General Operations and Staff Levels	3.2 Curriculum Development
1.3 Perform an Academic Self Assessment	2.3 List of Course Offerings	3.3 Programs by Grade Level
1.4 Anticipate Significant Events or Changes	2.4 Grade Configurations	3.4 Special Education
1.5 Identify Advantageous Shared Resource Opportunities	2.5 Facility Capacity and Use	3.5 Cross-District Schools
	2.6 Enrollment Patterns	
	2.7 Achievement Measures	
	2.8 Demographic Characteristics and a Common Sense of Community	
<b>Ally With Districts: 4.0 Student Services</b>	<b>Ally With Districts: 5.0 District Governance</b>	<b>Ally With Districts: 6.0 Staffing Patterns and Bargaining Agreements</b>
4.1 Student Activities	5.1 Administration	6.1 Existing Staffing
4.2 Social Activities	5.2 Strategic Planning and Curriculum Development	6.2 Collective Bargaining Agreements
4.3 Athletic Programs		
4.4 Extracurricular and Community Programs	5.3 Education Partners	
	5.4 Special Circumstances	
<b>Ally With Districts: 7.0 Operations and Facilities</b>	<b>Ally With Districts: 8.0 Finances/Tax Base</b>	<b>Ally With Districts: 9.0 Community Involvement</b>
7.1 Facility Assessment	8.1 District Revenues	9.1 Identify Stakeholders
7.2 Facility Cost Estimates	8.2 Equalizing the Tax Base	9.2 Setting Expectations
7.3 Transportation Analysis	8.3 Examining Expenditures	9.3 Role of the Community
7.4 Merging Services and District Operations		9.4 Communications Plan

## 1.0 Deliberation

**1.1 Current Environment** Each district begins with a thorough understanding of its existing circumstances, its predicted situation, and its current strengths and weaknesses. This information serves as a benchmark for comparison with other school districts and provides a baseline to measure change/outcomes over time.

- 1.1.1 Analyze enrollment stability and patterns by:
  - Grade distribution
  - Distribution by socio-economic status, race, gender and categories of exceptionality
  - Characterization of affected student population in regard to program of studies, curricular racks or academic achievement
  - Number of nonpublic students
  - Access to community colleges, postsecondary or adult education programs
  - Number of students enrolled in approved vocational programs in the school district and the regional Vocational/Technical School.
- 1.1.2 Review staffing patterns by academic discipline and by support services
  - Graph staffing by type, by grade and by building
  - Identify all the human resource categories and collective bargaining agreements
- 1.1.4 Review type, location and purpose of all facilities
- 1.1.5 Financial strength—Estimate the following for the next three to five school years:
  - Anticipated revenues
  - Estimated expenditures
  - Expected gaps between revenue and expenditures
- 1.1.6 Community Characteristics—If possible, the following should be predicted for the next three to five years:
  - Low income pupils (AFDC)
  - Population
  - Square miles
  - Pending building permits
  - Population demographics (aging, household income, type of housing, etc.).
- 1.1.7 Student Achievement—Review the districts academic standing using normative information, including measures such as SAT, NCLB, PSSA, etc.

**1.2 Generate Predictive Data by determining:**

- Enrollment projections for at least the next five years
- Community demographics (population growth, shift, birthrates, building permits, etc.)
- Projected budget requirements
- Expected changes to community characteristics, including economic conditions
- Future tax capacity and effort

**1.2 Perform an Academic Self Assessment, including recognition of the district's:**

- Most important academic goals and objectives
- Strongest programs
- Goals for the smallest class sizes possible
- Ability to expand upon existing successful academic programs
- Competitive needs, such as adding new programs or an internal charter school
- Most valuable student support and extracurricular activities

- Commitment to community support and programs
- Plan for defining educational programs for the future

1.4 Anticipate Significant Events or Changes by

- Reviewing recent board actions and personnel changes
- Contacting statewide organizations to discuss possible changes in program mandates legislation, funding formulas, interest rates, need for additional debt service, etc.
- Analyzing facility space and configuration needed in future years
- Determining significant changes in instructional patterns, use of technology, curriculum materials, etc.
- Parental and community demands upon the school system
- Changes in the district's tax base, economy or ability to generate revenues

1.5 Identify the Most Advantageous Shared Resource Opportunities for your School District, including:

- Expanding or improving student academics and support services
- Ways to share or avoid future fixed costs
- Feasibility of sharing facilities, either existing or new construction
- Expanding the tax base and stability of revenues
- Re-adjusting enrollment size for greater efficiency and effectiveness

## 2.0 Identifying Potential Consolidation Partners

Identification of potential partners may occur through the assessment process that follows, or through school board or school administrator discussions. In most cases, this process will begin among contiguous or nearby districts where transportation and community culture challenges may be minimized. Understanding the following characteristics of other districts is only a start. The detailed study of regional taxes, separate collective bargaining agreements, and existing debt, to name a few, are included in the third step (choosing partners) when actual alliances come under study.

2.1 District Policies and Procedures—Identify school districts with similar:

- 2.1.1 Mission, vision and academic philosophy
- 2.1.2 Interest in resource sharing or consolidation
- 2.1.3 Levels of staffing and community support for resource sharing
- 2.1.4 Interests in supporting existing or expanding student opportunities

2.2 General Operations and Staff Levels—Identify school districts where the sharing of possible operations and staff seems particular feasible by analyzing:

- 2.2.1 Geographic conditions and opportunities for sharing of student transportation routes
- 2.2.2 Student/teacher ratios and availability of student support staff
- 2.2.3 General financial stability, tax structures and level of debt
- 2.2.4 Similar terms for collective bargaining agreements

2.3 Course Offerings—Always begin serious consolidation discussions with an analysis of academic opportunities, including the possibility to:

- 2.3.1 Increase the number and scheduled availability of courses offered
- 2.3.2 Take and preserve the strongest programs from each existing district
- 2.3.3 Provide programs no district could provide individually
- 2.3.4 Better meet district and mandated education goals

2.4 Facility Capacity, Condition and Use—A more detailed study of facilities can follow, but search for school district partners with:

- 2.4.1 Building capacity and potential configuration for additional or new uses
- 2.4.2 Similar maintenance, condition, age or size of buildings
- 2.4.3 A comparable need for new construction or major renovations

2.5 Enrollment Patterns and Goals—School districts should be initially sought with common goals for:

- 2.5.1 Grade configurations (middle school vs. junior high school, for instance)
- 2.5.2 Maximum total enrollment for new district (perhaps less than 2,500 students)
- 2.5.3 Targeted instructional expenditures per student

2.6 Achievement Measures—For each potential school district partner, review the most recent:

- 2.6.1 Academic standards, measures and score results
- 2.6.2 Scope of secondary programs and graduation requirements

2.7 Demographic Characteristics and a Common Sense of Community—Look for:

- 2.7.1 Same goals, academic philosophy
- 2.7.2 Similar emphasis and balance between academic, community, and athletic programs

**Ally With Other School Districts**

In this final collection of tasks information from each school district is listed side by side and directly compared and analyzed. The process begins with academic programs. At the end of these comparisons school districts will clearly understand their differences and similarities which, in turn, identify the challenges and opportunities that lie ahead. From this information school boards can determine the “tipping point” that might lead to further action, how to build upon common strengths, and how to present viable options for each school board.

**3.0 Academic Programs**

3.1 General Description—Document for each potential or participating school district:

- 3.1.1 Mission statement or vision statement
- 3.1.2 Academic standards, goals and objectives, mandates
- 3.1.3 Class schedules and scheduling/grade report programs
- 3.1.4 Academic planning and periodic review
- 3.1.5 Sequencing and use of standards by grade level

3.2 Curriculum Development—Document the specific effects of consolidation on the following:

- 3.2.1 Course and curricular offerings
- 3.2.2 Support and special services
- 3.2.3 Special needs students
- 3.2.4 Staff utilization
- 3.2.5 Present educational goals and objectives
- 3.2.6 Availability of educational resources
- 3.2.7 Vocational education
- 3.2.8 Gifted and talented programs

3.3 Programs by Grade Level—Compare among the districts the following:

- 3.3.1. Grade configurations by program and facility
- 3.3.2. Elementary programs
- 3.3.3. Middle school programs
- 3.3.4. High school programs
- 3.3.5. Graduation requirements

3.4 Special Education—Document any proposed changes on the following aspects of special education:

- 3.4.1. Total number of special education students (including transfers)
- 3.4.2. District or multi-district operated programs
- 3.4.3. Intermediate Unit operated programs
- 3.4.4. Projected budget of the IU component of the special education program
- 3.4.5. Provision of related and support services
- 3.4.6 Need to change reporting requirements under NCLB if total number of students i increases sufficiently

3.5 Cross-District Schools—Explore the possibility of sharing schools or programs, including:

- 3.5.1 New buildings and programs under the existing school boards
- 3.5.2 Cyber-schools
- 3.5.3 Charter schools within the existing school districts or consolidated district
- 3.5.4 Library and other technology reference services

## 4.0 Student Services

4.1 Student Activities—Clubs and student activities are an integral part of every high school.

For each building or grade level, compare the number and scope of:

- 4.1.1 Student clubs
- 4.1.2 Service organizations
- 4.1.3 School and community volunteer opportunities
- 4.1.4 Student leadership positions
- 4.1.5 Number of instructional and non-instructional staff involved and assigned to student organizations

4.2 Social Activities—Secondary school especially serves as the entrance to adulthood for most students. Compare among each existing school district the type and number of:

- 4.2.1 Extracurricular activities
- 4.2.2 Dances, concerts, musicals, etc.

4.3 Athletics—Especially at the secondary level, consolidation of athletic programs can prove to be the most difficult of all efforts. Varsity programs have histories, rivalries, mascots, school colors, and other traditions that invoke deep community pride and loyalty. However, athletic programs go beyond varsity teams and include:

- 4.3.1 Interscholastic opportunities and potential changes (PIAA, for instance)
- 4.3.2 Student wellness and physical training
- 4.3.3 Intramural activities

## 5.0 District Administration

The governance structure of each school district should be reviewed, evaluated, and analyzed for impact of a consolidation. Most important is documenting how administrators function as a team to plan and monitor educational programs, allocate resources, assign teachers to programs, support professional development, meet periodically to resolve problems, evaluate professionals, and work with the principals and faculty.

5.1 General Administration—Most school district consolidation studies will emphasize cost savings by combining existing administration offices. To document cost savings, say by moving from two or more superintendents, to one:

- 5.1.1 Describe existing administrative structures
- 5.1.2 Document number, type and cost of administrators using PSBA average salaries
- 5.1.3 Identify overlap or redundancies and calculate cost savings
- 5.1.4 Find opportunities to re-align administrative staff and add needed positions for a larger, consolidated school district (for instance, a curriculum director where none now exists)
- 5.1.5 Combine existing school calendars and class scheduling to a single entity
- 5.1.6 Determine the new governance structure of a consolidated school district, including organizational charts and staff listings

5.2 Strategic Planning and Curriculum Development—Compare:

- 5.2.1 Planning cycle by curriculum subject area
- 5.2.2 Curriculum sequencing by standards and by grade
- 5.2.3 The most recent academic programs and emphases

5.3 Education Partners—Compare existing partnerships, including financial obligations associated with each partnership, for each district with emphasis upon how students or staffing may be affected:

- 5.3.1 Vocational/technical school and other partners
- 5.3.2 Community college or other higher education institutions
- 5.3.3 Intermediate Unit(s)
- 5.3.4 Community groups and foundations
- 5.3.5 Other partnerships

5.4 Special Circumstances

- 5.4.1 Identify pending legislation, penalties, court orders, etc., that will be of interest to all existing districts (for instance, a desegregation order)

## 6.0 Staffing Patterns

Faculty and staff provide the primary instructional machine for school districts and are key to successful sharing of resources or consolidation effort. School boards have retained (at least outside of the professional accrediting process) a good deal of autonomy and opportunities for best assigning staff. However, individual collective bargaining agreements and multiple curriculum programs create a challenge to consolidation.

6.1 Existing Staffing—Document instructional and non-instructional staffing patterns for each existing district including:

- 6.1.1. Assignment of present academic staff by academic unit or building
- 6.1.2 Professional staffing by configuration of grades
- 6.1.3 A complete list of supervision and management positions

6.2 Collective Bargaining Agreements—Document commonalities and differences of current collective bargaining agreements by:

- 6.2.1 Lining up, side by side, each contractual item (health insurance co-pays, tuition reimbursements, etc.) by specific clause
- 6.2.2 Documenting the differences between agreements, then costing out the result of combining all staff under the most generous agreement clause (include salaries, benefits, pension payouts, vacation/sick time, personal/professional leaves, etc.)
- 6.2.3 Combining the salary levels and steps and place the combined professional staff into this grid with the highest for each one
- 6.2.4 Determining the financial impacts upon types of positions, wages and benefits

## 7.0 Operations and Facilities

School district operations and facilities should provide a safe, learner-centered, comfortable, accessible, and flexible environment for the academic program. This review should provide the information needed to evaluate the adequacy of the existing facilities to accommodate current and proposed instructional programs.

7.1 Building Assessment—For each facility document its:

- 7.1.1 Location and use

- 7.1.2 Condition and safety status)
- 7.1.3 Size and capacity
- 7.1.4 Grade configurations
- 7.1.5 Code exceptions, safety or health issues
- 7.1.6 Need for maintenance or scheduled renovation or replacement
  
- 7.2 Shared Use of Facilities—Document the ability to share:
  - 7.2.1 Athletic and practice fields
  - 7.2.2 Maintenance and storage facilities
  - 7.2.3 School district administrative suites
  - 7.2.4 Energy performance reviews
  - 7.2.5 Waste reduction programs led by students and faculty
  
- 7.3 Student Transportation—Document existing transportation policy and the software tools for each district used to determine bus routes, then:
  - 7.3.2 Document the combined number of students transported, public and nonpublic
  - 7.3.3 Determine changes needed to minimize time in transit for students in a consolidated district
  - 7.3.4 Identify any potential or expected changes in transportation costs in the near future (regular and special education, vocational, nonpublic, etc.)
  - 7.3.5 Reconcile existing transportation contracts for each district
  - 7.3.6. Estimate changes, if any, in state reimbursement for transportation
  
- 7.4 Merging Services and District Operations—Whether consolidating or sharing services, analyze potential savings by sharing:
  - 7.4.1 Food service personnel, supply purchasing, and food preparation
  - 7.4.2 Equipment, vehicles, storage and supplies
  - 7.4.3 Maintenance, storage and service contracting
  - 7.4.4 Capital lease plans vs. purchase of facilities
  - 7.4.5 Contracting of energy sources
  - 7.4.6 Software licenses, networks, and technology support specialists
  - 7.4.7 Wireless technologies across all buildings in existing or consolidated school districts

**8.0 Finances/Tax Base**

As is true for any merger or consolidation, the parties need knowledge of the current fiscal status of a potential partner. Further, the current status of each district is needed to correctly combine their collective assets and liabilities, and to provide the basis for projected costs and/or savings after consolidation. One way to test the financial effects of consolidation without making difficult predictions or assumptions is to combine the latest year of financial data of the existing districts to determine the resulting revenues, expenditures, and tax burdens if that year had operated as a consolidated school district.

- 8.1. District Revenues—Estimate the following for each existing school district for the current school year, then combine into one district:
  - 8.1.1 Real property valuation, assessed valuation, property tax rate, and property tax revenues
  - 8.1.2 Per capita taxes
  - 8.1.3 Wage taxes
  - 8.1.4 Applicable Act 511 taxes

- 8.1.5 Aid ratios
  - 8.1.6 Personal income valuation (certified by the Secretary of Revenue)
  - 8.1.7 Annual interest payments
  - 8.1.8 Annual rental payments
  - 8.1.9 Property Tax Base
  - 8.1.10 Property Tax Revenues
  - 8.1.11 State and Federal Programs
  - 8.1.12 Local/Community Foundations
  - 8.1.13 Potential Changes in State Subsidies
- 8.2. Equalizing the Financial Base for Communities Within a Consolidated District—The financial officers or a research group can provide analysis of:
- 8.2.1. Equalized Millage across all involved municipalities
  - 8.2.2 Requirements of the state's Uniformity Law with adjustments across district/county lines
  - 8.2.3 For the most recent fiscal year, for each existing district, then combined for all districts:
    - Assessed valuation
    - Property tax revenues
    - Per capita taxes
    - Act 511 taxes
    - Real property valuation
    - Personal income valuation
    - Number and effect of low income pupils (AFDC)
  - 8.2.4 Projected change in revenue from state sources when districts consolidate
    - School subsidy
    - Aid ratio
    - Special funds
    - Grant funds
    - Other
  - 8.2.5 Projected change in revenue from federal sources when districts consolidate
    - Chapter I
    - Chapter II
    - Vocational education
    - Migrant Education
    - HeadStart
    - Other
  - 8.2.6 Projected change in revenue from local sources when districts consolidate
    - Local and school district foundations
    - Established business partnerships and support
    - Other
- 8.3 Expenditures—The district's board members or financial officers can best determine the needed level of detail for comparing expenditures by category (such as vocational programs—code 1300 or pupil personnel—code 2100). Generally, expenditures for each existing district and for a consolidated district are prepared. At the very least, and most importantly, this analysis should include the following three items:
- Instructional expenditures per student
  - Outstanding general obligation bonds and authority rentals, leases, other debt
  - Recalculation of administrative, teacher and staff salaries based a combined salary scale that includes the maximum amount for each level and step

**9.0 Community Involvement**

Keeping the public informed and involved is essential to a successful school district consolidation effort. From the start, community and parent involvement is sought to contribute ideas, respond to suggestions, and serve as a sounding board.

**9.1 Identify Stakeholders**

- 9.1.1 List the individuals, organizations and state representatives, if any, to include in
- 9.1.2 Anticipate the contribution, political position, and of each participating person or organization

**9.2 Setting Expectations**

- 9.2.1. Create a brief report summarizing findings analysis of the shared services/consolidation that includes impacts upon:
  - Instruction and academics
  - Student services
  - District administration
  - Community benefits
  - Cost savings
  - Potential effect on future tax rates
- 9.2.2. Have an early rollout of consolidation benefits, assumptions, and challenges for public dissemination—include project goals and objectives

**9.3 Public Role in the Consolidation Process**—Individuals can participate in the consolidation study and planning by:

- 9.3.1 Serving on advisory groups
- 9.3.2 Joining focus groups or completing community surveys
- 9.3.3 Attending public hearings
- 9.3.4 Establishing community, corporate, or individual foundations to support a new school District

**9.4 Communications Plan**

- 9.4.1 Use the school district's existing communication sources (newsletters, letters to parents, web sites) to update the public
- 9.4.2 Use other media to reach those community members who may not have children attending the school districts
- 9.4.3 Include strategies in this plan to anticipate questions, challenges, specific points of view, and the need for more detailed information

Prepared for the Pennsylvania School Boards Association by the Pennsylvania Economy League, Inc.

### Managing the Checklist process

Most districts will begin this checklist process with a work plan. In the short term district boards and administrators might consider the following:

- Setting timelines for completion of checklist tasks
- Anticipating barriers or expected challenges
- Identifying participants in this process from representative groups
- Assigning specific analyses to individuals or groups
- Defining the scope of the project, perhaps in incremental steps as you decide at each step to continue or not continue with research and analysis
- Working with a research organization to prepare the information and analysis
- Adding engineering and architectural activities to the facilities review
- Expanding budget and enrollment projections beyond five years.

A work plan might also include directions for:

- On-going communications with school personnel and the community
- Cost estimates for each part of the study and identification of a source of funds
- Direct assignment of roles and responsibilities (an example follows).

Activity	Person/Group Responsible	Needed Outcome	Due Date
6.1 Comparison of collective bargaining agreements	Financial Officer from each school district	Side by side comparison by contract clause; costing out of additional costs or expected savings of consolidating existing contracts	February 28, 2010

Finally, as the project progresses from the checklist stage, address the immediate and short-term challenges of moving into consolidation discussions, including:

- Public announcements, public meetings and ongoing input
- Schedule of board meeting discussions and requirements under the sunshine laws
- Re-allocation of existing resources to consolidation planning
- Consolidation of curriculum
- Re-structuring administration
- Implementing, if necessary, grade configurations and facility use
- Funding the up-front costs of a school district consolidation.

## EXHIBIT "B"

Pennsylvania School Boards Association



SM

# schools

## Merger/Consolidation of School Districts:

Does it save money and improve student achievement?

April 2009

# Merger/Consolidation of School Districts:

Does it save money and improve student achievement?



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# Merger/Consolidation of School Districts:

Does it save money and improve student achievement?

## Executive Summary

Pennsylvania's Gov. Edward G. Rendell entered the state into a debate about consolidation of school districts as part of his budget address to the legislature in February 2009. The governor recommended the wholesale consolidation in the number of school districts from 501 to 100.

The Pennsylvania School Boards Association recognizes that there are some districts that may ultimately need to merge with an adjacent district. PSBA has and will continue to support local school district choice because of the significant local impact of school district merger. PSBA made a commitment to local choice by contracting with the Pennsylvania Economy League to produce a merger checklist for school districts interested in examining the potential. The full PEL report is available on the PSBA Web site at [www.psba.org](http://www.psba.org).

Beginning with the new school fiscal year starting July 2009, Pennsylvania will have its first merger since the legislatively mandated consolidations of the 1960s and the federal court ordered merger

**PSBA has and will continue to support local school district choice because of the significant local impact of school district merger.**

of five districts into one during the 1970s. This is the voluntary merger of Center and Monaca school districts in Beaver County into Central Valley School District that took more than two-and-a-half years to achieve.

Merger and consolidation have been used interchangeably in the debate. For purposes of this paper, "merger" is combining two or three districts while "consolidation" implies either the wholesale reduction of the

number of school districts or the closure of buildings.

The national debate, like the one in Pennsylvania, focuses on two key arguments to justify consolidation of school districts:

- The potential to save money or, as Gov. Rendell suggested, a means of helping to ease the burden on property taxpayers.
- To improve student education/achievement.

Examining Pennsylvania's forced consolidation of school districts in the 1960s provides little factual data concerning the financial, political and educa-

tional aspects of this mandate. What is known is that during the 1960s, there was a decline in the number of districts from 2,277 to 669. This was followed by a second decline in the 1970s from 669 to 505 districts. The 505 were reduced to 501 as the result of federal antidiscrimination litigation that lasted from 1970 to 1981. Analysis of the last merger shows that the total salary dollars, as well as total expenditures, increased.

**There is no evidence that consolidation of schools will result in reduced expenses.**

Nationally, there are currently 12 states with initiatives or legislative mandates concerning merger and consolidation. Among these states, four are clearly targeting merger to eliminate smaller schools with the goal of saving money.

The results of the 1960s consolidation were, both nationally and in Pennsylvania:

- The addition of full-time elementary school principals (to improve supervision).
- Larger systems or administrative units.
- Some school entities became so large that students, parents and faculty felt that schools had become bureaucratic and depersonalized.
- Most districts were required to rebuild a sense of community.
- Some districts needed to build more facilities to accommodate the larger student enrollments and later needed to close schools when school-age population declined.
- High schools became community centers in rural areas.

There is no evidence that consolidation of schools will result in reduced expenses. The analysis of Woodland Hills shows cost increases. Analysis of a potential merger of York County School Districts shows that substantial tax increases would be necessary. Consolidations that have occurred have not produced the promised sav-

ings. Rather, consolidations and mergers have substantial front-end costs, such as “leveling up.” Also, there are a number of items that provide front-end costs that individually are small but collectively can approach substantial sums in the hundreds of thousands of dollars.

The evidence shows that consolidations have an adverse impact on academic achievement. The studies by a number of researchers around the nation have documented no improvement. Rather, they have confirmed adverse impact on student performance.

Consolidations also have produced a sense of loss of community. This loss forced districts in Pennsylvania to rebuild the sense of community as the result of the mergers in the 1960s.

Pennsylvania school boards have gone to extensive lengths regarding due diligence in studying the potential for merger. The failure of districts to complete the merger has produced increased cooperation between districts. In the case of Millersburg-Halifax discussions in Dauphin County, the motion in both districts was to reject merger, but it did contain provisions to seek additional ways to expand cooperation between districts. Similar cooperative efforts have occurred between districts in other merger discussions.

Merger has substantial impact on local communities, both financially and educationally. Because of the local impact, local choice is the critical element to a successful merger. As part of the success of merger, due diligence in merger discussions is critical.

Where mergers have been studied, the result often has been a rejection of merger. However, as the Millersburg-Halifax case shows, such studies can and do lead to greater cooperation.

### **Research findings:**

The merger/consolidation research shows:

- There are no documented cases of financial savings from merger/consolidation.
- Merger/consolidation has had a negative impact on student achievement.
- The potential for adverse economic impact on smaller communities that lose facilities exists.

## **Recommendations:**

The conclusions of the analysis indicate that several specific needs exist in attempting to address school district mergers. PSBA has and will continue to support local district choice related to merger/consolidation. PSBA recommends the following actions to improve the process:

- **Legislative mandates for consolidations or mergers are not sound policy and should not occur because:**

- They do not have the necessary due diligence outlined in Appendix A.
- They do not have the necessary input from those directly affected.
- The research shows adverse student achievement.
- The research shows no documented savings.
- There is a lack of consideration for geographic and demographic elements of the resulting school districts.

- **Mergers have substantial local impact, and local districts need to have a clear voice in the ultimate result.**

- **If the state wants to reduce the number of districts, it needs to encourage merger by providing incentives and assistance, such as:**

- Funding for front-end costs.
  - Financial assistance to address “leveling up,” or legislative relief.
  - Technical assistance to districts for merger studies.
  - Technical and financial assistance with curriculum alignment.
  - Financial assistance to cover administrative costs, such as letterhead, name changes, etc.
- **The Center-Monaca merger identified the lack of a clearly defined process for completing the merger. The state needs to formalize and document the process used by Center-Monaca for other districts interested in merger, such as:**
  - Clearly define the process required by the Secretary of Education.
  - Clearly define the process required by the State Board of Education.



# Merger/Consolidation of School Districts:

## Does it save money and improve student achievement?

Nationally, increasing school taxes, student test score debates, political action/taxpayer groups, declining enrollments and communities in transition, along with many other elements, are combining to generate either considerable debate or legislative action to reduce the number of school districts.

Pennsylvania's Gov. Edward G. Rendell entered the state into a debate over the consolidation of school districts as part of his budget address to the legislature in February 2009. The governor recommended the wholesale consolidation of the number of school districts from 501 to 100. No reason was given for the choice of 100 districts.

While the governor is proposing consolidation starting in July 2009, Pennsylvania will have its first merger (a voluntary merger) since the legislatively mandated consolidation of the 1960s and the federal court-ordered merger of five districts into one during the 1970s.

The national debate, like the one in Pennsylvania, also focuses on two key arguments to justify consolidation of school districts:

- The potential to save money, or as Gov. Rendell suggested, a means of helping to ease the burden on property taxpayers.
- To improve student education/achievement.

Unfortunately, school boards and legislatures have made many of the consolidation decisions with little or no substantial evidence to support their arguments. This paper examines the history

of merger/consolidation and what the research shows regarding merger/consolidation. There are also a number of recommendations related to merger.

### Is the term 'merger' or 'consolidation'?<sup>1</sup>

The words merger and consolidation often are used interchangeably in the debate. And, like any other debate, the terms being used can mask the intent of those pushing for merger and, therefore, require clear definition. Will districts be merged or consolidated? Does proposed merger include the consolidation of buildings? Under municipal law in Pennsylvania (Act 90 of 1994), "consolidation" means the elimination of existing governmental entities and creation of a new governmental entity, while "merger" means one of the governmental entities from the original group remains.

In school terms, merger implies the combining of two or more districts with the intent of eliminating an administrative group and/or duplicate programs. Consolidation implies wholesale reduction in the number of districts and closure of buildings including elimination of duplicate programs and elimination of staff. Unfortunately, the history of school merger shows that there is little difference in outcomes. This may be a case of a difference without distinction. **For this paper, merger implies the combination of two or three districts while the term consolidation implies the wholesale reduction in the number of districts.**

<sup>1</sup> This section is reprinted from an article appearing in the *PSBA Bulletin*, published by the Pennsylvania School Boards Association, December 2006.

## A brief history of merger/consolidation

The National Center for Education Statistics began keeping track of the number of U.S. schools and districts beginning with the 1937-38 school year. The Pennsylvania Department of Education also has maintained data on the number of districts dating to the 1900s. NCES data show that more than 117,000 school districts operated in the U.S. in 1937-38. These districts supported about 250,000 public school buildings. Over the ensuing 60 years, the number declined to fewer than 15,000 districts. During this same 60-year period, the number of school buildings declined by almost 158,000, to just more than 92,000 buildings at present. As district/building reductions occurred, the number of public school students almost doubled (from just more than 25 million to almost 50 million). This change has been characterized as moving from an era of one-room schools to consolidated schools. A smaller number of administrative structures support the smaller number of consolidated schools. This does not necessarily mean fewer administrators.

Pennsylvania followed a similar pattern, as shown in Table 1. The largest decline in the number of districts occurred as the result of a series of three separate legislative actions in the 1960s. Act 561 of 1961 attempted to reduce the number of districts to one-fourth of the then existing 2,277 districts. Act 299 of 1963, which amended Act 561 of 1961, added incentives for consolidation by providing for special payments to union and merged districts, as well as jointures and newly established school districts. Act 150 of 1968 amended both Acts 561 and 299 by providing for additional consolidations for those districts that were not included in previous consolidations.

The number of districts in Pennsylvania was reduced from a high of 2,599 in 1909-10 to 505 in 1979-80. The final reduction from 505 to 501 was the result of a federal desegregation lawsuit involving five districts in Allegheny County. Consolidation in the 1960s required three separate pieces of legislation to achieve consolidation that serves to highlight the significance of politics in the process. The extent of financial incentives included in Act 299 of 1963 shows the importance of economic incentives for merger/consolidation.

Beginning with the school fiscal year 2009-10, the number of districts in Pennsylvania will decline by one as the result of the merger of Center and Monaca school districts in Beaver County into the Central Valley School District. The Central Valley merger is the first voluntary merger in the state.

## Analysis of the 1960s consolidation

The legislative mandate for consolidation and school reorganization in the 1960s was called a mixed blessing. PSBA, in “The First 150 Years of Education in Pennsylvania,” described the consolidation as follows:

“In retrospect, the passage of Act 299 was a mixed blessing. The larger school districts did provide for economies of scale, as Conant had indicated.<sup>2</sup> The merging of various elementary school programs assured greater uniformity. Supervision was improved, particularly in the elementary schools, for with larger schools

**Table 1**  
**Number of school districts in Pennsylvania**  
**(10-year intervals)**

School Year	Number of Districts	Change in Districts
1899-00	2,510	--
1909-10	2,599	89
1919-20	2,590	(9)
1929-30	2,585	(5)
1939-40	2,552	(33)
1949-50	2,530	(22)
1959-60	2,277	(253)
1969-70	669	(1,608)
1979-80	505	(164)
1989-90	501	(4)
1999-00	501	--
2009-10**	500	(1)

\*\* Reflects the merger of Center Area SD and Monaca SD into Central Valley SD.  
Source: PA Department of Education, Division of Educational Statistics

<sup>2</sup> Conant is in reference to “The Conant Report” issued in 1958. The Carnegie Corporation of New York had commissioned a study in early 1957 of the American high school. James Bryant Conant was the chief investigator.

it was possible to separate the functions of teaching and administration to have full-time elementary school principals.

“Perhaps a major unexpected consequence of the larger administrative units was in gradually building a spirit of community. Particularly in rural areas, the high schools became community centers with which the people in the geographical region identified. The concepts of larger units to provide for functional education applied in the 1960s and 1970s as area vocational-technical schools were supported.

“But there have been negatives in the operation of school district reorganization. In some cases, the school entities were so large that students and faculty felt that schools had become bureaucratic and depersonalized. School districts overbuilt and were forced to close schools when school-age population declined in the 1970s and 1980s.

“...Ironically, American education is engaged in an analysis and critique similar to that of the late 1950s and early 1960s. We would do well to review the conditions and actions of 20 years ago before moving too rapidly in mid-1980-style school reform.”<sup>3</sup>

Again in 2009, the debate of the mid-1960s and the mid-1980s is occurring, and a review of the conditions and actions of the 1960s is still not complete.

### **PA school board role in merger**

The merger of Center Area and Monaca school districts occurred under current law.<sup>4</sup> The issue of merger can be raised by any of a number of stakeholders as demonstrated by the governor. Stakeholders include other board members and other districts, along with residents, administrators, legislators, the general public or the media. Does raising the level of debate require a school board to act? The obvious answer is no, unless the legislature mandates such action. However, discussions of school district merger should be reviewed care-

fully. What may look like an easy choice may not be as obvious as it appears.

Under Pennsylvania law, most often school boards are the final decision-makers about merger actions pertaining to their own district. However, as was experienced in Pennsylvania during the 1960s, or as the result of court action, districts can be forced to merge.

The Pennsylvania School Code (24 P.S. 2-224) provides that two or more districts may merge based on an affirmative vote of each of the individual district boards. While there are some additional actions and a review by the State Board of Education, the ultimate future of the district rests with the local school boards. Pursuant to the School Code (24 P.S. 2-225), all assets (property and taxes receivable) and liabilities (outstanding debt and unpaid obligations) become the responsibility of the resulting merged district. There are no special exceptions for, or specific language related to, the continuation and resulting combination of labor contracts.

### **Board responsibility for ‘due diligence’**

The clearly defined responsibility of Pennsylvania school boards in the merger of districts sets a clear requirement that school boards have routinely undertaken due diligence as part of any discussion. This due diligence takes place in three parts. The first is serious discussion about the potential for merger. This is followed by formal study, with the third part being implementation of the merger.

In a report by the Pennsylvania Economy League commissioned by the Pennsylvania School Boards Association, PEL identified a series of actions that are essential to undertaking the due-diligence process for merger. A summary checklist of actions is presented in Appendix A of this paper, and details appear on the PSBA Web site, [www.psba.org](http://www.psba.org).

Over the past 20 years, there have been a number of studies related to district merger. The discussions related to the potential for merger exceed the number of studies actually performed.

<sup>3</sup> “The First 150 Years of Education in Pennsylvania,” PSBA, Harrisburg, PA, November 1984. The publication was written by Dr. Robert L. Leight.

<sup>4</sup> Current law is defined in the Pennsylvania School Code 24 P.S. Section 2-224. The only requirement is an affirmative vote of the school boards of all districts to be merged and the approval of the Secretary of Education for Pennsylvania along with approval of the State Board of Education.

The Center Area-Monaca merger had at least one prior study.<sup>5</sup>

Over the past several years, PSBA has been involved in discussions with other districts that initiated public discussion of voluntary mergers.

**The argument that consolidation saves money is based on the premise of economy of scale.**

These discussions included South Eastern Greene, Carmichaels and Jefferson-Morgan school districts in Greene County; Clarion and Clarion-Limestone districts in Clarion County; and Millersburg Area, Halifax and Upper Dauphin districts in Dauphin County. Among

these three merger discussions, only Millersburg Area and Halifax school districts moved on to a formal study.<sup>6</sup> The result of the study was a vote by both school boards against merger but to continue cooperative efforts in areas identified in the study.<sup>7</sup>

The governor's proposed consolidation of school districts does not include the necessary due diligence required of the local school boards. The governor's proposal calls for legislative study and action to implement and a failure by the legislature to implement results in deferral to the governor's office for action. In either case, the recommendation does not include the detailed due diligence outlined in Appendix A.

### **Recent action in other states**

According to the National Council of State Legislatures, as supported by follow-up with several state school boards associations, 12 states have active proposals or legislation on reducing the number of districts and/or buildings. Some of the legislative initiatives encourage merged districts and consolidation buildings. Some states mandate merger of districts and consolidation of buildings.

Appendix B presents a brief summary of the proposals on merger/consolidation for the vari-

ous states. In most states where legislation has been enacted, the focus is the elimination of small school buildings and/or districts. This legislative action implies that larger districts/buildings are more cost effective and produce better academic results compared with small districts/buildings.

Among the 12 states shown in Appendix B, four are clearly targeting consolidation to eliminate smaller school districts. Two of the states are focusing on consolidation efforts to combine elementary and secondary districts into K-12 districts. Only one state is providing financial support for consolidation. Two states are imposing financial penalties for not consolidating.

According to Dale Douglass, executive director of the Maine School Boards Association, the legislation forcing merger of districts in Maine "contained a provision for local districts to vote to reject merger." He noted that this provision also contained what could be termed a "poison pill" by forcing financial penalties on the local taxpayers. At present, there are still 218 of the original 290 districts in Maine; many of the remaining districts voted to reject merger, according to documentation from the Maine School Superintendents Association.<sup>8</sup>

While there were state-level reports in many of these states recommending merger of districts, there was no reference to local or public input. As exhibited in Maine, when given the choice, the local districts chose to accept the financial penalty to maintain local control.

### **The political arguments for merger**

There are two interesting results presented in the research. Advocates for merger have offered that merger would:

- Save money through improved efficiency resulting from economies of scale.
- Improve student outcomes by providing greater access to educational resources.

A subset of the save-money argument includes:

- Need for fewer buildings.

<sup>5</sup> Statement made by Dr. Dan Matsook, superintendent of Center Area SD, during the October 2008 PASA-PSBA School Leadership Conference.

<sup>6</sup> Merger status was verified with phone conversations with district staff in January 2009. The Millersburg-Halifax study was completed in February 2008 by the Pennsylvania Economy League and Hayes Large Architects.

<sup>7</sup> Status verified by phone call with the districts in February 2009.

<sup>8</sup> Correspondence provided by Victoria Wallack, communications director, Maine School Superintendents Association, dated March 6, 2009.

- Need for fewer superintendents and other key positions.
- Better allocation of teachers to offer additional courses.

### *Financial savings:*

#### *What does the research offer?*

The primary reason for merger/consolidation offered by those advocating for district merger/consolidation is alleged financial savings. The studies that are available regarding a proposed merger typically reflect potential savings, yet there is an obvious absence of documented follow-up financial analysis to determine if the alleged savings actually materialized. According to the information as presented in Appendix B, three states viewed consolidation as a means of saving money.

The argument that consolidation saves money is based on the premise of economy of scale. Under this premise, it is assumed that larger is more efficient, and therefore, savings will accrue by making districts and buildings larger. Catherine Reilly (2004) indicates that as the number of pupils increases from a very low point, the cost per pupil declines but reaches a point of leveling off followed by increase in per pupil costs, producing a diseconomy of scale. Available research has focused more on the size of buildings than districts. None of the research has addressed legal requirements imposed upon districts in regard to staffing requirements. Allan Odden and Larry Picus offer: “Analysts, however, argue that the expected cost savings from massive school and district consolidation have not been realized.”<sup>9</sup>

Among rural schools, costs per pupil may decline as the result of merger. However, these cost savings may be offset by increased transportation costs. The Standard & Poor’s analysis, in its June 2007 study for the Pennsylvania Legislature, suggested the potential for merger among many rural districts. The study did not include the impact of transportation or any analysis of debt financing requirements. The S&P study also ignored salary schedule differences between districts.

A study by the Nevada Policy Research Institute reported another financial aspect of merger: “...as school district size increases, the percent of budgets spent on teachers, books and materials actually tends to decline.” The implication is that when districts are merged, the total dollars expended do not increase proportionally when students are added. Rather, resources remain constant and are distributed across more students (Schmidt and Schlottmann, 2005).

John Wenders, in a Fordham Foundation Report (2003), notes, “If the history of public education tells us anything, district consolidation and the inevitable school consolidation that follows are generally both bad ideas. In the short run, consolidation promises lower costs and taxes and better student performance. But neither happens.”

The study of merger for Millersburg Area SD with Halifax SD was rejected by both school boards. The primary reason was the financial impact of leveling up salaries and the failure of staffing realignments to provide for additional educational opportunities for students of the merged district.<sup>10</sup>

### *Student achievement:*

#### *What does the research offer?*

As part of the research on merger/consolidation and student achievement, there are consistent reports that mergers of districts usually result in buildings being closed. The result of building closings is an examination of student outcomes in the larger buildings.

One study (Howley, Howley and Johnson, 2002) examined scores on seven state-required tests in every Arkansas school consolidation and concluded that:

- The small schools in high-poverty communities produced higher student achievement than the larger consolidated buildings.
- Higher achievement in small schools narrowed the gap between students from affluent and poor communities.
- Small schools are more effective against poverty when they were part of small districts.
- Poverty exerts a larger detrimental effect in large schools in large districts.

<sup>9</sup> Odden, Allan R., and Picus, Lawrence O. “School Finance: A Policy Perspective,” Fourth Edition, McGraw-Hill, New York, 2008, Chapter 4, Page 91.

<sup>10</sup> Sherri-Lee Knorr, superintendent, Millersburg ASD, estimated that the cost of leveling up salaries was about \$500,000. The staff realignment analysis indicated that no expansion of programs was possible with current staff.

- Smaller schools significantly counteracted poverty's power to lower student achievement.
- By eighth grade, poverty disappears as a factor in student performance in smaller schools.

A study by the Manhattan Institute (Greene and Winters, 2005) found that decreasing the size of school districts has a substantial and statistically significant positive effect on graduation rates. Conversely, consolidation of school districts produces larger units and leads to more students dropping out of high school. In this study, the apparent reason for the beneficial effect was the ability of parents to choose among a greater number of small districts. A 2002 study commissioned by the

Washington State School Directors' Association (Martin et al, 2002) replicated the findings of a study involving Georgia.<sup>11</sup>

An article in the *American School Boards Journal* (Black, 2006) states that, "data from the Matthew Project indicate that students from impoverished communities benefit from attending small schools, which are often rural. On the other hand, students from affluent communities tend to benefit from larger schools."

Some studies that focus on outcomes (such as achievement, completion and attendance) often recommend smaller buildings or districts (Howley, 1994). Howley also concluded that research based on inputs (e.g., teacher salaries, instructional materials, specialized staffing) usually recommend merger or consolidation.

The appropriate size of buildings often becomes the focus of discussion where merger has occurred. The National Association of Secondary School Principals in its study, "Breaking Ranks," makes the key point that students learn best in schools with about 600 students.

Rural school districts have in some cases taken the lead in incorporating technology to address stu-

dent achievement and expand educational opportunities. This has been clearly demonstrated across Pennsylvania with the implementation of *blendedschools.net* and other technological application to curriculum. These approaches take a shared or cooperative approach but do have associated costs.

### *Sense of 'community':*

#### *What does the research offer?*

Several articles address "community." Community includes access by stakeholders to those in control, identifiable elements of the school population, student participation in extracurricular activities and various other socioeconomic components. As districts and schools become larger, those who make decisions affecting the population become more removed from those most affected. The element of distance between decision-makers and those affected is critical to local control. This loss of local control becomes very important when considering the potential benefits of consolidation. Wenders (2003) notes, "Over the longer haul, consolidation sucks power upward, and away from parents, students and local conditions, to centralized political arrangements where unions and other special interests have more political clout."

In smaller schools, most staff knows the students by name. Studies by Howley, Raywid and others have found that in larger schools, the sense of belonging and cohesiveness is diminished. Students in larger schools tend to be more disconnected, which often requires special programs to address dropouts and discipline. The lack of a sense of community and the related connection in larger schools exacerbate limited opportunity to participate in extracurricular activities. After all, there are only so many roles in the class play and positions on various athletic teams.

Raywid (1999) observes that studies based on the value of community usually recommend sizes smaller than those based on outcomes. Thus, researchers and policy analysts who are most concerned with community (Sergiovanni, 1994) will tend to recommend the smaller schools for nearly everyone, while those concerned with outcomes often will recommend larger

**Students in larger schools tend to be more disconnected, which often requires special programs to address dropouts and discipline.**

<sup>11</sup> The Matthew Project, Bickel and Howley, 2002, regarding student performance and size of buildings in merged districts. Georgia was part of the Matthew Project.

schools, except for a select portion of the population for which they will recommend small schools.

According to Raywid (1996), “Research evidence is strong that small schools benefit the entire school community. Small schools are particularly beneficial for disadvantaged youth, who profit from the extra attention and the sense of belonging promoted in a small school.”

A recent study by Johnson (2002) for the Rural School and Community Trust looked at the impact of the consolidation in Arkansas. The Arkansas law required school districts with fewer than 350 students to merge administrations with another district. The law also required buildings with fewer than 350 students to be consolidated with other buildings. About one-third of the buildings in the merged districts were closed. According to the study, merger of districts and associated school consolidation often leads to destruction of the sense of community. The report further indicated that building closure tended to lead to a period of economic decline in those areas that lost buildings.

In a PEL study of a potential merger in the late 1980s for the districts of Meyersdale and Salisbury-Elk Lick in Somerset County, the Meyersdale School Board was concerned with the adverse economic impact of the potential closure of the Meyersdale building.<sup>12</sup>

### Salary schedule differences in Pennsylvania – ‘Leveling up’

Analysis of merger in Pennsylvania will need to address salary schedule differences. Under Pennsylvania law, school districts have the obligation to negotiate labor agreements. Each district is its own unique bargaining unit, and as such, there are currently 500 different collective bargaining agreements.<sup>13</sup> It is interesting to note that the development of unions and collective bargain-

ing agreements occurred after the mergers of the 1960s reduced the number of potential bargaining groups. During the merger debates of the 1950s and 1960s, both nationally and in Pennsylvania, the National Education Association was a strong advocate of consolidation. Prior to these mergers, there was a statewide salary schedule. This schedule was a minimum schedule with steps based on seniority and columns based on education level and duties. Experience from the mergers of the 1960s provides the basis for “leveling up” of salaries.

The “leveling up” of salaries is tied to the Pennsylvania School Code. The School Code requires that teachers may not be terminated for financial reasons. The School Code also provides that a reduction in salary constitutes a demotion and provides for an administrative hearing, with limited reasons for demotion.<sup>14</sup>

Table 2 presents some limited personnel and related salary data from the last merger in Pennsylvania for analyzing the impact of “leveling up.” The districts of Churchill Area, Edgewood,

Table 2 Financial Analysis of the Woodland Hills Merger				
Year	Professional Payroll	Total Professional Staff	Total Expenditures	Average Daily Membership
1976-77	\$10,286,862	749	\$20,104,726	10,031
1979-80	\$11,252,729	665	\$25,324,379	8,873
1980-81	\$11,601,580	629	\$23,154,266	9,008
1984-85	\$14,307,160	542	\$31,470,677	6,923

*Source: PA Dept of Education, Statistical reports for years included in table*

General Braddock, Swissvale Area and Turtle Creek Area were merged into Woodland Hills as part of a federal court desegregation lawsuit. This merger occurred during the transition of a state-required school accounting system and thus, limited data is available during the initial merger years. Litigation and resulting federal court involvement over the merger spanned a 10-year time period, and the court’s final order implementing merger began with the 1981-82 school year.

<sup>12</sup> Meyersdale operates a K-12 building that was older than buildings in Salisbury-Elk Lick. There also was available space to house all of the Meyersdale students in the Salisbury-Elk Lick buildings.

<sup>13</sup> Collective bargaining began about 1970 pursuant to Act 195 of 1970. While there are 501 school districts in Pennsylvania, one district contracts out all of its students; therefore, only 500 collective bargaining agreements exist.

<sup>14</sup> The no layoff and demotion are found in 24 P.S. Section 11-1125 and 11-1151 respectively. Pennsylvania law does not permit demotion (defined as including reduction in pay) of employees without due process.

In the Woodland Hills merger, the average daily membership and total professional staff declined pre-merger to post-merger, based on the available data shown in Table 2. While there may have been some savings from a reduction in the number of staff, the total payroll costs increased, and this seems almost counterintuitive. Likewise, the total expenditures increased while the average daily membership continued to decline.

At the time of the Woodland Hills merger, all districts involved had been unionized with established labor contracts for professional staff that included teachers and other certified personnel. One of the impacts of merger is the consolidation of employees under a single collective bargaining agreement. Under the Pennsylvania School Code (24 P.S. 11-1124), a merger is a permitted reason for reduction of staff, as is alteration of educational programs or a substantial decrease in student enrollment.

Operating under the assumption that the indi-

bargaining language, any reduction in staff is based on seniority or, more correctly, the least senior person is out of work. Thus, those who remain tend to be higher on the salary schedule. If all of the least senior staff were equally distributed across all districts, all of the averages would rise proportionally.

Also shown in Table 2 is the increase of total cost, which increased by \$8,316,411 between 1980-81 and 1984-85. From the limited financial data available, along with the oversight of the federal district court in implementing the merger, it is unclear where savings resulted and where new/increased expenditures occurred.

If any buildings were closed between 1980-81 and 1984-85, it is likely that a number of these buildings were still owned by the district and being at least minimally maintained, and the cost of additional transportation had substantially increased to offset any savings from reductions in professional staff.

The limited financial data available from the

last merger in Pennsylvania suggests that, while financial savings may have been expected, the actual result was increasing payroll costs by an average of \$676,395 per year (5.83%).

Over the past 10 years, merger/consolidation has been subject to extensive debate. Beginning in 1996, the *York Daily Record* and York Newspaper Company, along with substantial support from the business community, commissioned a study by David Rusk. The

viduals were placed on the higher schedule, an estimate of the increase in salaries to the highest district average is presented in Table 3. The data in Table 2 show an overall increase of payroll of \$2,705,580 between 1980-81 and 1984-85, while the adjustment calculated in Table 3 shows an increase of \$443,880 in salaries for 1980-81 to 1981-82. Additionally, the data in Table 2 show a decline in the total number of staff from 629 to 542 (a difference of 87). Under state law and typical collective

primary focus of the report was to examine the potential for development, address urban sprawl and look at the future of York County. As part of the report, the idea of consolidation, of not only municipal governments, but also of school districts, was presented.

In 2002, the business community revisited the original study. This report, referred to as the Rusk II Report, took direct aim at school district consolidation with the headline: "Staggering dis-

**Table 3**

**Estimate of Payroll Cost Increase Raising District Average to Highest Average**

District	1980-81 Payroll	1980-81 Staff	1980-81 Average Salary	Difference to Highest Average	To raise to Highest Average
Churchill	\$4,485,700	236	\$19,007	143	\$33,748
Edgewood	\$957,494	50	\$19,150	0	\$0
Gen. Braddock	\$2,607,989	137	\$19,036	114	\$15,618
Swissvale	\$2,081,026	123	\$16,919	2,231	\$274,413
Turtle Creek	\$1,469,371	83	\$17,703	1,447	\$120,101
<b>Total</b>	<b>\$11,601,580</b>	<b>629</b>	<b>N/A</b>	<b>N/A</b>	<b>\$443,880</b>

Source: PA Department of Education statistical reports 1980-81

parities between county schools.” Here, as with the general literature, the focus is on student performance. Only in this report, a case is made for improving test scores in the City of York through consolidation of school districts. Both Rusk reports created expanded discussion of the potential for merger/consolidation – the second more than the first. While the implication in Rusk II was more direct than Rusk I, the target appears to be a redistribution of tax revenue back to the urban center, rather than a savings of tax dollars. Interestingly, the argument in support of merger/consolidation was improvement in student performance through resource sharing/redistribution.

As part of this discussion, Rep. Ron Miller (R-Dallastown) requested an analysis of the cost of consolidation in York County. While the information was limited, PSBA did prepare an analysis of the impact of merger/consolidation on the average teacher salary and the potential tax impact of such action.

### **Analysis of a potential York County merger – Teacher salary costs**

Appendix C presents the analysis, prepared for Rep. Miller, of the impact of merger based only on teacher salaries. In this case, the salary is based on a combined salary matrix for York County school districts. The combined matrix was based on the highest salary for each step/column of the pay scale. Total bargaining unit membership along with placement for 2005-06 was confirmed with the districts. The resulting calculation was the number of teachers by step/column multiplied by the appropriate salary from the combined matrix, with the totals calculated by district.

Appendix C shows the current salary along with the new salary by column on the combined salary schedule. Because increased expenditures would result in increased contributions for retirement (PSERS) and

Social Security/Medicare, increases are calculated. The state funding includes proportional subsidy for these two items. The district share under a merger is assumed to be 50% for this analysis. No assumption was made regarding changes in teaching staff and related redistribution among existing buildings. The average salary would increase from \$43,496 to \$56,482, or by \$12,986 per teacher, merely through consolidation to a single matrix.

Table 4 presents a summary of the tax impact resulting from the increased salary and associated costs. A collection rate of 95% is assumed for the analysis. However, the actual combined collection rate may be slightly lower. The estimate of tax rate impact is based on the amount of revenue required to support the increased salary and associated cost estimate.

Some reduction of teacher cost should be anticipated. However, this would require a detailed analysis of curriculum, a review of building capacity throughout the county and the need to consider redistribution of students and related costs of transportation.

<b>Table 4 Calculation of real estate tax impact Based on salary schedule change only</b>		
<b>Item</b>	<b>Amount</b>	<b>Notes</b>
<b>Taxable Assessed Value</b>	<b>\$15,656,921,369</b>	<b>Does not include Dover, West Shore and Northern York County school districts</b>
<b>Value of 1 mill</b>	<b>\$15,656,921</b>	
<b>Collection rate</b>	<b>95%</b>	
<b>Estimate 1 mill collected</b>	<b>\$14,874,075</b>	
<b>Total Cost Increase</b>	<b>\$54,871,929</b>	<b>Does not include Dover, York Vo-Tech, West Shore and Northern York County school districts.</b>
<b>Additional mills countywide to fund the salary, retirement and SS/Medicare increase</b>	<b>3.6891</b>	<b>This would be levied on all properties in the county included in the analysis.</b>

In the Rusk II report, a more regional approach was offered. In the second report, the proposal offered a division of the county along an economic/demographic structure. In this type of merger, it is expected that the cost increase would not be as significant as anticipated under a countywide plan.

### Findings in Millersburg Area-Halifax

The financial impact of merging was estimated to exceed \$500,000 by the Millersburg Area-Halifax school districts. The situation is associated with the separate collective bargaining agreements. An analysis of the “leveling up” disclosed some surprising elements of the two districts.

In one district, the salary schedule was higher in the top steps while the current members of the bargaining unit were at the bottom. In the other district, the reverse occurred: the schedule was higher in the bottom steps with most of the

current members at the top of the schedule. The “leveling up” would have provided substantial increases to the staff in both districts, producing the estimate of \$500,000.<sup>15</sup> This increase was more than any potential reduction in administrative duplication.

**There is no evidence that consolidation of schools will result in reduced expenses.**

### Other financial issues

There are a number of financial issues that will occur as a merger takes place, usually referred to as front-end costs. Some of these may be only a few hundred dollars while others could be a hundred thousand dollars. But collectively, these costs could be substantial when taken in total. Oftentimes, these costs are not considered until the last stage of merger. Front-end costs include:

- Student-related actions, such as additional textbooks and curriculum materials, if the districts are not using the same books or curriculum.
- Connecting classroom computers between districts and providing for additional software for consistency.

- Revising transportation schedules or rebidding contracts for transportation.
- Cost of labor counsel to renegotiate a consolidated collective bargaining agreement.
- Legal review of existing service contracts, along with making any necessary corrections, amendments or terminations.
- Changes to district signs and letterhead to reflect the new name and logo.
- Additional/new band and athletic uniforms.

### Summary

The results of the 1960s consolidation both nationally and in Pennsylvania were:

- The addition of full-time elementary school principals (to improve supervision),
- Larger systems or administrative units:
  - Some school entities became so large that students, parents and faculty felt that schools had become bureaucratic and depersonalized.
  - Most districts were required to rebuild a sense of community.
  - Some districts needed to build more facilities to accommodate the larger student enrollments and later needed to close schools when school-age population declined.
  - High schools became community centers in rural areas.

There is no evidence that consolidation of schools will result in reduced expenses. The analysis of Woodland Hills merger shows cost increases. Analysis of potential merger/consolidation of York County school districts shows that substantial tax increases would be necessary. Mergers and consolidations that have occurred have not produced the promised savings. Rather, mergers have substantial front-end costs such as “leveling up.” There are also a number of items that provide additional front-end costs that individually may be considered small amounts but collectively can approach substantial sums in the hundreds of thousands of dollars.

The evidence shows that consolidations have an adverse impact on academic achievement. The

<sup>15</sup> Amount and issue discussed with Sherri-Lee Knorr, superintendent, Millersburg ASD.

studies by a number of researchers around the nation have documented adverse impact on student performance.

Mergers and consolidations have produced a sense of loss of community. This loss forced districts in Pennsylvania to rebuild the sense of community as the result of the mergers in the 1960s.

Pennsylvania school boards have gone to extensive lengths regarding due diligence in studying the potential for merger. The failure of districts to complete a merger has produced increased cooperation between districts. In the case of Millersburg Area-Halifax, the motions in both districts to reject merger contained provisions to seek additional ways to expand cooperation between districts. Similar cooperative efforts between districts resulted from other merger discussions.

While many state legislatures have passed consolidation legislation with the best of intentions, the results have not produced the intended results – saving money or improving student achievement. Merger is a very difficult choice and requires extensive analysis on the part of elected board members, administrators and the community.

Merger has substantial impact on local communities, both financially and educationally. Because of the local impact, local choice is a critical element to a successful merger. As part of the success of merger, due diligence in merger discussions is essential.

Where mergers have been studied, the result often has been a rejection of merger. However, as Millersburg and Halifax show, such studies can and do lead to greater cooperation.

Merger discussions have been productive even when merger was rejected. The productive element is usually expanded cooperation among districts involved in merger discussions.

## Recommendations

The conclusions of the analysis indicate that several specific needs exist in attempting to address school district mergers. PSBA has and will continue to support local district choice related to merger/

consolidation. PSBA recommends the following actions to improve the process:

- **Legislative mandates for consolidations or mergers are not sound policy and should not occur because:**

- They do not have the necessary due diligence outlined in Appendix A.
  - They do not have the necessary input from those directly affected.
  - The research shows adverse student achievement.
  - The research shows no documented savings.
  - There is a lack of consideration for geographic and demographic elements of the resulting school districts.
- **Mergers have substantial local impact, and local districts need to have a clear voice in the ultimate result.**
  - **Due diligence as outlined in Appendix A must take place.**
  - **If the state wants to reduce the number of districts, it needs to encourage merger by providing incentives and assistance, such as:**
    - Funding for front-end costs.
    - Financial assistance to address “leveling up,” or legislative relief from certain provisions of the School Code.
    - Technical assistance to districts for merger studies.
    - Technical and financial assistance with curriculum alignment.
    - Financial assistance to cover administrative costs such as letterhead, name changes, etc.
  - **The Center Area-Monaca merger identified the lack of a clearly defined process for completing the merger. The state needs to formalize and document the process used by Center Area-Monaca for other districts interested in merger to:**
    - Clearly define the process required by the Secretary of Education.
    - Clearly define the process required by the State Board of Education.

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# Appendix A

## Appendix A<sup>1</sup>

### Checklist Overview

The following checklist directs school districts and communities through data collection and analysis. It provides information for ongoing discussions and presents a common reference point to guide those discussions. **Note:** All data requirements set by the Pennsylvania Department of Education to date have been included in this checklist.

<b>Deliberation</b>	<b>Identifying Potential Consolidation Partners</b>	<b>Ally With Districts: Academic Programs</b>
<ol style="list-style-type: none"> <li>1. Describe current school district environment</li> <li>2. Generate predictive data</li> <li>3. Perform an academic self assessment</li> <li>4. Anticipate significant events or changes</li> <li>5. Identify advantageous shared resource opportunities</li> </ol>	<ol style="list-style-type: none"> <li>1. District policies and procedures</li> <li>2. General operations and staff levels</li> <li>3. List of course offerings</li> <li>4. Grade configurations</li> <li>5. Facility capacity and use</li> <li>6. Enrollment patterns</li> <li>7. Achievement measures</li> <li>8. Demographic characteristics and common sense of community</li> </ol>	<ol style="list-style-type: none"> <li>1. General overview</li> <li>2. Curriculum development</li> <li>3. Programs by grade level</li> <li>4. Special education</li> <li>5. Cross-district schools</li> </ol>
<b>Ally With Districts: Student Services</b>	<b>Ally With Districts: District Governance</b>	<b>Ally With Districts: Staffing Patterns and Bargaining Agreements</b>
<ol style="list-style-type: none"> <li>1. Student activities</li> <li>2. Social activities</li> <li>3. Athletic programs</li> <li>4. Extracurricular and community programs</li> </ol>	<ol style="list-style-type: none"> <li>1. Administration</li> <li>2. Strategic planning and curriculum development</li> <li>3. Education partners</li> <li>4. Special circumstances</li> </ol>	<ol style="list-style-type: none"> <li>1. Existing staffing</li> <li>2. Collective bargaining agreements</li> </ol>
<b>Ally With Districts: Operations and Facilities</b>	<b>Ally With Districts: Finances/Tax Base</b>	<b>Ally With Districts: Community Involvement</b>
<ol style="list-style-type: none"> <li>1. Facility assessment</li> <li>2. Facility cost estimates</li> <li>3. Transportation analysis</li> <li>4. Merging services and district operations</li> </ol>	<ol style="list-style-type: none"> <li>1. District revenues</li> <li>2. Equalizing the tax base</li> <li>3. Examining expenditures</li> <li>4. Communications plan</li> </ol>	<ol style="list-style-type: none"> <li>1. Identify stakeholders</li> <li>2. Setting expectations</li> <li>3. Role of the community</li> <li>4. Communications plan</li> </ol>

<sup>1</sup>Prepared for the Pennsylvania School Boards Association by the Pennsylvania Economy League Inc. Full report available on the PSBA Web site at [www.ppsba.org](http://www.ppsba.org)

# Appendix B

## Appendix B Consolidation/Merger Proposals Summary by State

State	Initiative/Legislative Summary
Arizona	In April 2005, the legislature established a School District Redistricting Commission. The SDRC is inviting public participation in its role to develop a plan that will go to the voters in 2008. The SDRC is to review all current common school districts that are not part of a unified school district for potential consolidation.
Arkansas	Arkansas Act 60 (HB 1109) provided for administrative consolidation or annexation, beginning July 1, 2004, of districts with fewer than 350 students.
California	In 2004, a program was established in several counties that authorizes county committee approval authority for petitions for merger.
Illinois	About half of Illinois's 889 districts are K-12. Currently, an elementary-only district is permitted to merge with the secondary attendance district but only by approval of all elementary districts using the secondary district. Proposed change: districts disapproving of merger would have five years to either change their mind or find another high school. The proposal also would allow elementary districts that feed the same high school district to merge even if the districts are not contiguous.
Iowa	A report of an education commission to study whether there should be a minimum size requirement for school districts was due to the legislature in 2007.
Kansas	A January 2006 report recommended two new alternatives for funding schools. The study has intensified calls for measures to reduce the number of school districts in the state.
Maine	A November 2005 draft report included recommendations for administrative consolidation to reduce the current 290 districts to 26. Implemented as part of the governor's budget in 2006.
Nebraska	A 2005 legislative initiative forces all public schools to become part of a K-12 system, reducing the number of school districts by almost half to about 270.
South Carolina	The legislature has proposed consolidation to pay for court-ordered funding of a K-3 program, yet a recent legislative study found that consolidation might lower student performance.
South Dakota	In 2004, the legislature provided special funding to reimburse districts for expenses of consolidation initiatives. Mergers will reduce the number of districts to 171, down from a high of 3,000 in the 1960s.
Texas	The legislature is looking at consolidation as means to address a State Supreme Court ruling that the current funding scheme is unconstitutional. A report with recommendations was due July 2006.
West Virginia	An aggressive school building consolidation policy has been pursued. Funding will be provided only for buildings with 1,000 or more students. More than 100 buildings are currently targeted in West Virginia's 55 countywide school districts.

Source: National Council of State Legislatures and state school board associations, 2007.

# Appendix C

## Appendix C Analysis of York County Merger Impact on Salary Costs

### York County Consolidation Estimate Based on 2005-06 Salary and Placement Schedules

Column	Current Salary	New Salary	Increase	PSERS	FICA	Total Cost Increase	Staff	Average Salary Current	Average Salary New
Inst I	2,735,419	18,189,144	5,453,725	126,254	208,605	5,788,584	455	27,990	39,976
Inst II	4,786,118	42,665,668	17,879,550	413,912	683,893	18,977,354	862	28,754	49,496
M	54,479,407	65,331,248	10,851,841	251,220	415,083	11,518,144	1,126	48,383	58,021
M+15	21,870,470	24,557,174	2,686,704	62,197	102,766	2,851,668	419	52,197	58,609
M+30	15,958,711	27,251,273	11,292,562	261,423	431,940	11,985,925	432	36,941	63,082
M+45	15,490,017	17,984,682	2,494,665	57,751	95,421	2,647,837	265	58,453	67,867
M+60	27,837,536	28,876,180	1,038,644	24,045	39,728	1,102,417	422	65,966	68,427
Total	173,157,678	224,855,369	51,697,691	1,196,802	1,977,437	54,871,929	3,981	43,496	56,482
Average	43,496	56,482	12,986	601	993				

Source: District, collective bargaining agreements for 2005-06 and district business managers.

#### Notes:

1. Calculations do not include Dover ASD and York Vo-Tech; both were negotiating contracts for 2005-06 at the time of the analysis.
2. Calculations do not include West Shore SD (serves York and Cumberland counties) and Northern York County SD. Both districts are part of IU 15, while the balance of York County is part of IU 12.
3. Calculations of the new salary are based on the highest salary paid in step and column of the salary schedules for those districts included in the analysis. When merging districts, the assumption is that all salaries would be raised to the highest salary paid by column and step.
4. PSERS and FICA are based on 50% of the total cost.

Pennsylvania School Boards Association



The PSBA Education Research & Policy Center is an affiliate of the Pennsylvania School Boards Association. The PSBA Education Research & Policy Center is dedicated to the purpose of in-depth research and analysis of issues affecting public education in Pennsylvania.

Questions about school mergers and consolidation may be directed to: Dr. David Davare, PSBA director of Research Services, (800) 932-0588, ext. 3372, or [dave.davare@psba.org](mailto:dave.davare@psba.org).



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# EXHIBIT "C"

# **JOINT STATE GOVERNMENT COMMISSION**

**General Assembly of the Commonwealth of Pennsylvania**

## **SCHOOL DISTRICTS IN PENNSYLVANIA: WAYS TO WORK TOGETHER**

**2015 House Resolution 910  
Staff Study**

**July 2017**



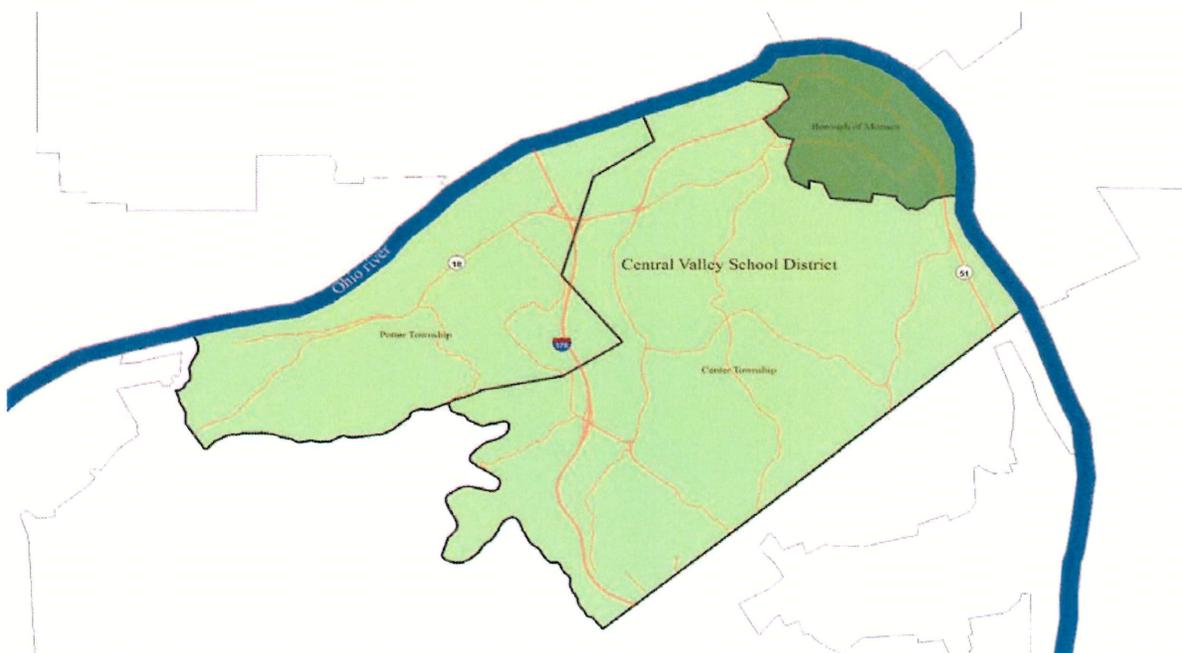
*Serving the General Assembly of the  
Commonwealth of Pennsylvania Since 1937*

## MERGER ACCOMPLISHED: THE CENTRAL VALLEY SCHOOL DISTRICT

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The Central Valley School District in Beaver County is a unique phenomenon within the Commonwealth. Previously the Center Area and Monaca School Districts, it is the only school district in Pennsylvania to voluntarily merge since the 1960s.

### *Background*



### *Geographic Issues*

The map above shows the current boundaries of the Central Valley School. When districts are contemplating a merger, they must consider topographical barriers such as rivers, bridges, highways and mountains. In the scenario of the Center Area and Monaca School Districts, the Ohio River forms a natural boundary line that runs along the northern edge of both of the districts, and is actually a unifying feature rather than a barrier. The district is made up of three municipalities. Previously two of those municipalities, Potter and Center Township, made up the Center Area School District. The Borough of Monaca comprised the Monaca School District. The Monaca School District encompassed 2.1 square miles while the Center Area School District

encompassed 34.1 square miles.<sup>150</sup> Three highways, PA 18, PA 51 and I-376, intersect the district's boundaries.

*Student and Spending Changes*

Between the 2004-05 and 2008-09 school years, both school districts had decreased significantly in student population. Monaca's student population had decreased cumulatively by 15 percent while the Center Area School District student population decreased overall by 6 percent. Combined, they lost 233 students, or 8.3 percent of their average daily membership (ADMs), from 2004-05 to 2008-09.<sup>151</sup>

Both districts showed increases in their total expenditures (a 19.4 percent cumulative increase for the Center Area School District and a 7.5 percent cumulative increase for the Monaca School District).<sup>152</sup> The Center Area School District had a cumulative increase in administrative spending of 33.3 percent while the Monaca School District actually had a slight decrease of -.2 percent.<sup>153</sup>

**Percent Change in Selected Expenditures and Student Population: Prior to Merger**

<b>Center Area School District</b>			
School Year	Cumulative % Changes:		
	Total Expenditure	Admin	ADM
2005-06	4.4	3.7	-2.5
2006-07	12.1	16.6	-3.4
2007-08	14.4	29.1	-5.9
2008-09	19.4	33.3	-5.6

Source: Pennsylvania Department of Education (PDE). Analysis by the Joint State Government Commission (JSGC).

<sup>150</sup> Information provided to the Joint State Government Commission by Dr. Daniel Matsook, Consultant at Wilkensburg Borough School District, in his personal e-mail of February 26, 2017.

<sup>151</sup> "Finances AFR Expenditures 2004-2005, 2005-2006, 2006-2007, 2008-2009," Pennsylvania Department of Education, available at <http://www.education.pa.gov/Teachers%20-%20Administrators/School%20Finances/Finances/AFR%20Data%20Summary/Pages/AFR-Data-Summary-Level.aspx#.VZvrX2XD-Uk> (accessed July 15, 2016).

<sup>152</sup> According to the Pennsylvania Department of Education's glossary of terms, the Total Expenditure of a school district includes those expenditures under Instruction, Support Services, Operation of Non-instructional Services, Facilities Acquisition and other financing uses.

<sup>153</sup> According to the Pennsylvania Department of Education's glossary of terms, the Administration category includes any "expenditure for activities concerned with establishing and administering policy in connection with operating the local education agency (LEA). Included are board services, tax assessment and collection services, community relations services, and office of the principal services."

**Percent Change in Selected  
Expenditures and Student Population: Prior to Merger**

<b>Monaca School District</b>			
School Year	Cumulative % Changes in:		
	Total Expenditure	Admin	ADM
2005-06	.4	4.3	-1.8
2006-07	7.1	2.4	-4.1
2007-08	14.2	3.7	-10.4
2008-09	7.5	-.2	-14.9

Source: Pennsylvania Department of Education (PDE). Analysis by the Joint State Government Commission (JSGC).

*Programmatic Considerations*

Declining enrollments in both districts were making it more difficult to offer anything beyond basic programming at the high school level. In Center Area, although programs would be offered, they would be cut when not enough students signed up. In Monaca, many extra courses simply were not even offered because of decreased student numbers.<sup>154</sup>

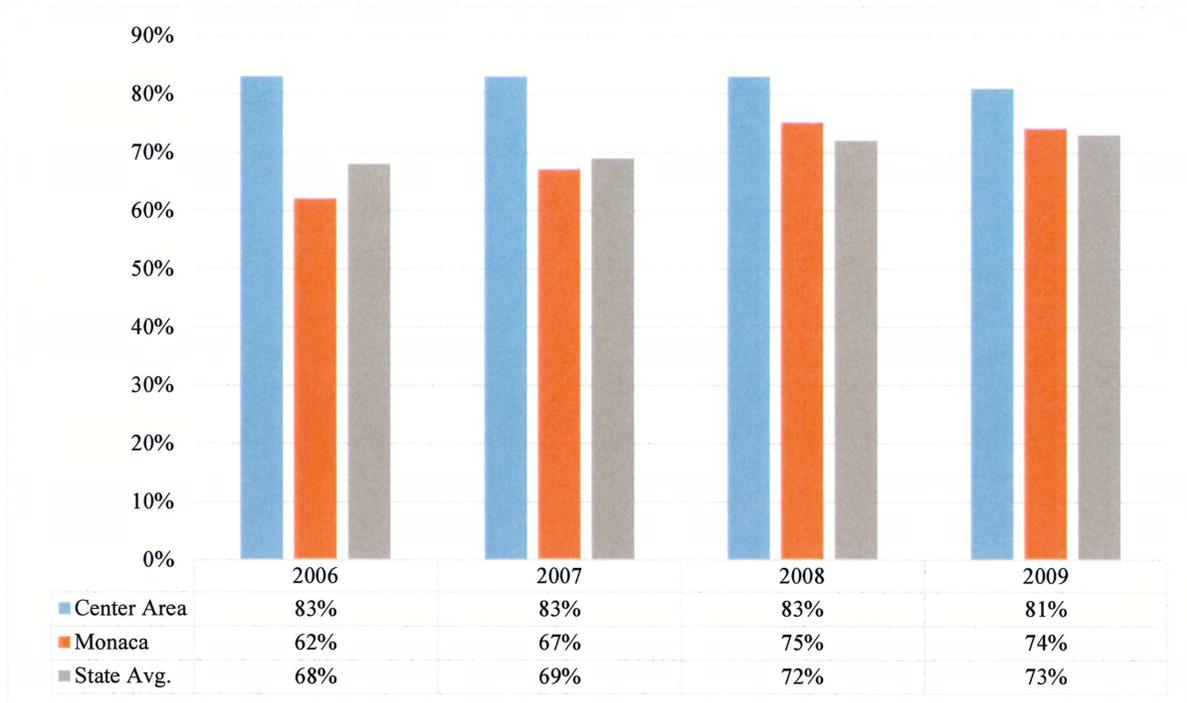
By January of the 2007-2008 school year, the Center Area School District had canceled six classes because not enough students enrolled: Algebra III, Accounting I, French III, French IV, Middle School French and Child Development. Seven additional classes (French V, French VI, German VI, Physics II, Clothing, Biology II and Advanced Acting) were in danger of cancellation because fewer than 10 students enrolled.<sup>155</sup>

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<sup>154</sup> Information provided to the Joint State Government Commission by Dr. Daniel Matsook, Consultant at Wilkinsburg Borough School District, in a telephone conversation with JSGC staff on February 22, 2017.

<sup>155</sup> David, Brian. "Statistics on merger show more savings." *Pittsburgh Post-Gazette*, January 31, 2008.

### Percent of Students Proficient or Above in Math: Pre Merger

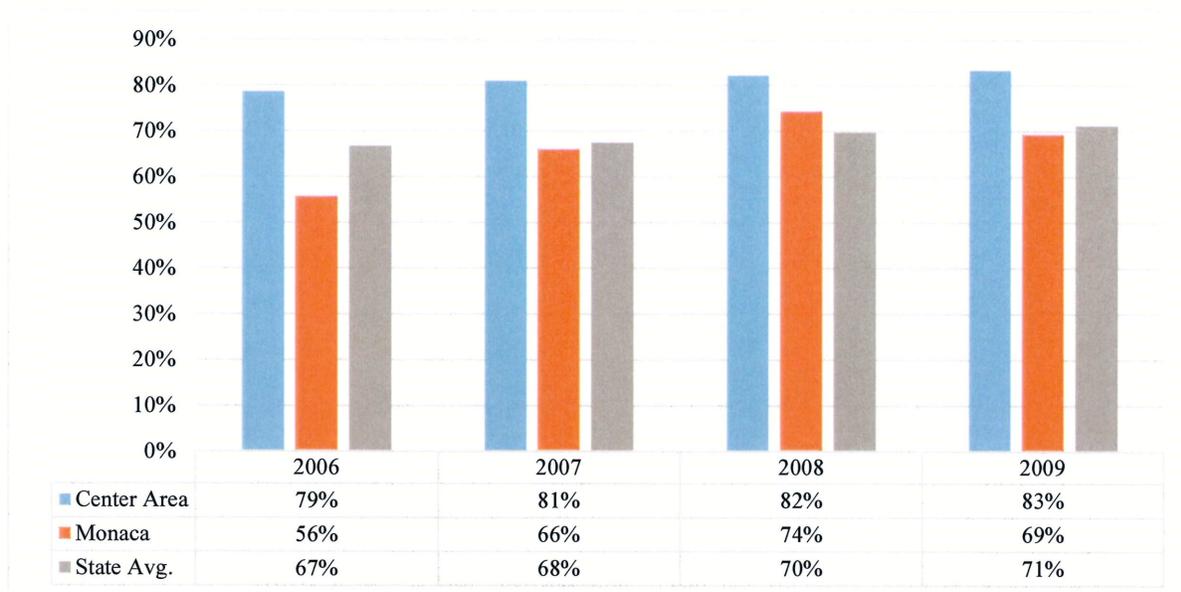


Source: Pennsylvania Department of Education (PDE). Analysis by the Joint State Government Commission (JSGC).

The charts above and below show the performance of the student populations in the Center Area and Monaca School Districts prior to the merger and compared to the statewide average. Both cases, whether focusing on Reading test scores or Math test scores, show relatively similar results. More students at Center Area achieved proficient or above in both Math and Reading. However, the performance of students at the Monaca School District more closely mirrored the statewide average, occasionally slightly below the statewide average achieving proficient or above in both Math and Reading and sometimes above by one or two percentage points.

For example, the Math results from 2009 show 1% more students in the Monaca School District achieved proficient or above than the statewide average. However, 81 percent of students from the Center Area School District achieved the level of proficient or above, as compared to a statewide average of 73 percent. In reading, Monaca had 2 percent less students performing at proficient or above than the statewide average of 71 percent. In the Center Area School District, 12 percent more students (83 percent total) scored proficient or above in reading than the statewide average of 71 percent.

### Percent of Students Proficient or Above in Reading: Pre Merger



Source: Pennsylvania Department of Education (PDE). Analysis by the Joint State Government Commission (JSGC).

#### *Future Considerations*

Monaca was looking at impending significant physical plant costs. In a study by the Education Management Group (EMG), renovation costs for the 5<sup>th</sup> Ward School were estimated between \$1.4 to \$2.3 million, between \$3.3 million to \$5.3 million for the C.J. Mangin School and between \$6.6 to \$12.2 million for the Junior/Senior High School. Although the Monaca School District had no debt at the time of the merger discussions, they knew they needed to make significant investment in aging buildings in order for students to continue to be educated in safe facilities.<sup>156</sup>

#### *Process of Merger*

In 2004, Dr. Daniel Matsook was appointed superintendent of the Center Area School District. Merger discussions began in 2005. However, the topic was not new to the district; feasibility studies had been conducted in the 1960s as well as the 1980s. The merger conversations that followed took place on multiple levels over multiple years.

In December of 2005, the district formed an advisory committee made up of the superintendent, the business manager, staff from the Department of Education, legislators, the IU and three board members from each district. The district held multiple key communicators meetings as well as public meetings throughout the entire process. Key communicator groups were

<sup>156</sup> Information provided to the Joint State Government Commission by Dr. Daniel Matsook, Consultant at Wilkesburg Borough School District, in his personal e-mail of February 26, 2017.

established in Monaca and Center and consisted of community leaders from different social, religious and professional circles within the community. At various times, school district officials travelled to Harrisburg to meet with staff from the PA Department of Education. By the end of the merger, all of the school board members from both districts were in support of the merger.<sup>157</sup>

During these years, the district commissioned two separate feasibility studies. The first study, done by Ingraham Dancu Associates, LLC, generated a range of six scenarios, with various building and grade configurations, including continuation of the status quo with no merger. The second study, conducted by EMG, was a fiscal assessment of the proposed merger of the two districts. In a presentation to the public, Donald Boyer of EMG “told the audience this is the ninth merger study he has done, and it was the first one that had benefits in terms of dollars and cents.”<sup>158</sup>

### *One-Time Costs*

The costs to merge the two entities were significant and varied. There were legal fees, both general and those associated with negotiations because of professional and support employees collective bargaining agreements. There were also costs due to the leveling or equalizing of the labor contracts between the Center Area and Monaca School Districts. The fact that Center Area generally had the higher salary schedules and more employees helped this to be a surmountable hurdle. There were renovation costs, some of which were attributed completely to the merger although some of these costs were a shifting of what would have come because of Monaca’s aging infrastructure. There were also costs of activities to promote social integration between students and staff of both districts. The district conducted training and held extensive curriculum writing activities and incurred the costs of substitute teachers who worked to free the staff members during these activities. Money was spent on purchasing textbooks based on the work of the curriculum committees. There were technology costs to unify the two districts. These costs ranged from video distribution systems, telephone systems, a data hardware system and software programs to a new network to fully integrate the merged district. Finally, there were costs for new uniforms for the band, chorus, and athletics as well as new signage at the athletic fields and the gymnasium.

### *Board Members*

Immediately after the merger, the newly combined Central Valley School Board had eighteen members. According to the Pennsylvania School Code, the district had three options to devise new voting sectors: at-large, nine precincts, or three precincts.<sup>159</sup> Nine distinct voting areas was too many for such a small voting population of roughly 18,000, but they wanted to ensure that the smaller community had a voice within the new district so rather than going with the at large option they decided on three precincts, with one of the precincts being the Monaca area, about 6,000 people, and Center, which was about 12,000 people, being divided into two precincts.

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<sup>157</sup> Information provided to the Joint State Government Commission by Dr. Daniel Matsook, Consultant at Wilkesburg Borough School District, in a telephone conversation with JSGC staff on February 22, 2017.

<sup>158</sup> “Numbers Crunching.” *Beaver County Times*, September 27, 2007.

<sup>159</sup> The Public School Code, Act of March 10, 1949 (P.L.30, No.14) § 308; 24 P.S. § 3-308.

The size of the board was dealt with through attrition. At the next election, four of the seats were not filled and the board was reduced to fourteen. In the subsequent election, five of the seats were not filled and the board arrived at its current size of nine members.<sup>160</sup>

*Statutory Changes*

The mercantile tax was important to the Center Area School District because the area has a very strong commercial and industrial base. The mercantile tax generated more than \$300,000 in revenue for the district. However, when Local Tax Reform passed in 1988, the act stated that local jurisdictions could not implement any new receipts-based taxes. This statute would have prohibited the newly created district from continuing to levy the existing tax. However, local legislators amended the law so that the newly created district could continue to receive the mercantile tax revenue.

The elementary school students merged in the 2009-10 school year. The secondary merged in the 2010-11 school year.

*Impact of Merger*

**District Expenditures – Pre and Post Merger**

<b>Central Valley School District</b>			
<b>School Year</b>	<b>Total Expenditures</b>	<b>Administration 2300</b>	<b>ADM</b>
<i>2006-07</i>	<i>\$28,817,049</i>	<i>\$1,793,838</i>	<i>2,716</i>
<i>2007-08</i>	<i>29,793,322</i>	<i>1,926,866</i>	<i>2,615</i>
<i>2008-09</i>	<i>30,170,514</i>	<i>1,945,168</i>	<i>2,585</i>
2009-10	29,679,270	2,087,009	2,526
2010-11	29,397,877	1,723,191	2,505
2011-12	28,968,089	1,773,084	2,437
2012-13	30,327,712	1,700,568	2,480
2013-14	30,330,914	1,643,669	2,465

Source: Pennsylvania Department of Education (PDE). Analysis by the Joint State Government Commission (JSGC).

The table above shows data from three years prior to the merger in italics, and then five years of the merged school district. For the 2006-07, 2007-08, and 2008-09 school year, the figures for Total Expenditure are actually the sum of the Center Area and Monaca School Districts. For administrative expenses and student population, the figures presented are also the sum of the two independent school districts. Total Expenditure data, money spent in category

<sup>160</sup> Information provided to the Joint State Government Commission by Dr. Daniel Matsook, Consultant at Wilkinsburg Borough School District, in his personal e-mail of February 28, 2017.

2300/Administration and the student count of the Center Area and Monaca School Districts are combined for the first 3 years shown in the table. Although the district's costs for administration show an increase between the 2008-09 and 2009-10 school year, the total expenditures drop from \$30.2 million to \$29.7 million. The district's total expenditures do not rise to the level of the two districts prior to merger until the 2012-13 school year.

When the two districts merged, they combined millage rates as well. For the Center Area School District, this meant a reduction of 3.4 mills as the millage rate decreased from 50.2 to 46.8 for the 2009-10 school year. For Monaca, the millage rate increased by 1.80, going from 45.0 to 46.8 in the 2009-10 school year.<sup>161</sup>

### *Middle School Program*

Prior to the merger, neither district had a middle school. In Center Area SD, there were three buildings: K-2 (Center Grange), 3<sup>rd</sup> through 5<sup>th</sup> grade (Todd Lane), 6<sup>th</sup> through 12<sup>th</sup> grade (Junior/Senior High School). The Monaca School District also had four buildings, but with a different division of students: K-3<sup>rd</sup> (HS Elementary), 4<sup>th</sup> through 6<sup>th</sup> (5<sup>th</sup> Ward), K-6<sup>th</sup> (CJ Mangin) and 7<sup>th</sup> through 12<sup>th</sup> (Junior/Senior High School).<sup>162</sup> As a result of restructuring performed to create and support the middle school concept, students in 6<sup>th</sup>, 7<sup>th</sup>, and 8<sup>th</sup> grades now attend the Central Valley Middle School.<sup>163</sup>

The middle school concept has multiple, layered components. At the Central Valley School District, there are roughly 200 students in each grade, so the grades are split into half and then divided between two teams per grade level. These two teams are made up of teachers from the five core subject areas: Math, English, Reading, Science and Social Studies, as well as a special education teacher. Through the teaming concept, each of the teaching teams takes shared responsibility for the 100 students that have been assigned to them. In essence, the middle school building has been divided into six smaller learning communities.

All of those students in each of the communities are exposed to Technology, Pre-Engineering, Art, Family, and Consumer Science during each school year as well as foreign languages (German, Spanish, and French). For 6<sup>th</sup> grade students, the rotation also includes Library Science, Guidance, and Music.

The use of activity periods is another special component of the middle school program. Each grade level has two activity periods built into its schedule that allow students to take Band and Chorus, and provides opportunities for flexible groupings for remediation and enrichment on common core standards. Tutoring, intramurals, or various clubs also take place in the activity period rotation.

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<sup>161</sup> Information provided to the Joint State Government Commission by Mr. John Maly, Business Manager at the Central Valley School District, in his personal e-mail of May 23, 2017.

<sup>162</sup> Application for New District Background Information, page 11 and information provided to the Joint State Government Commission by Mr. Daniel Matsook, Consultant at the Wilkinsburg Borough School District, in a telephone conversation with JSGC staff on February 22, 2017.

<sup>163</sup> *Central Valley School District Middle School*, available at <http://www.centralvalleysd.org/Downloads/20152016MSSStudentHandbook2.pdf> (accessed May 19, 2017).

One of the biggest advantages of the middle school program is the opportunity for teachers to prep together during a common planning period to share best practices and implement cross-curricular projects and concepts. The teachers have a daily shared prep period to meet and discuss student data, conduct parent meetings, share lesson plans, and do self-directed professional development.

According to Central Valley Superintendent Nicholas Perry, “The middle school program focuses on educating the whole child through these delicate adolescent years. Our program encompasses not only the academics but also the social, emotional, and physical well-being of our students. The teaching concept allows for individuals to be housed in a community that embraces the children in that house or team. This results in a much more personal learning experience between teacher and student, student and student, and teacher and parent.”<sup>164</sup>

This new structure and programming has been recognized through the Don Eichhorn Schools to Watch in 2015. This recognition, which is given by the National Forum to Accelerate Middle School Reform through the Pennsylvania Association for Middle Level Education (PAMLE), came after rigorous evaluation involving evaluators across the Commonwealth. The recognition focuses on four areas: academic excellence, developmental responsiveness, social equity, and organizational structures and processes. The Central Valley Middle School is one of thirty-eight middle schools to have been recognized in the state of Pennsylvania and one of more than three hundred across the country to have received this recognition, which was established in 2006-07.<sup>165</sup>

### *Technology Programs*

In the 2014-15 school year, Central Valley instituted an iPad program. The district had piloted use of iPads for two years before instituting the program. The purpose of the iPads is for students to take notes, submit homework assignments, complete assessments, and create projects as well as to access multimedia content more frequently.<sup>166</sup> While the district had started the program with iPads for all children in grades 6-12, it proved so beneficial that in the 2016-17 school year, the district expanded the program and gave iPads to every student from Kindergarten through 12<sup>th</sup> grade.

The Central Valley School District runs a cyber academy through which their students, K-12, can either choose a full-time program or participate in a blended program, with a mixture of traditional classes and online learning. A large portion of the students participate in this program, on some level, whether through only one class online or a full time cyber educational experience. The program benefits the district both financially and educationally. Offering its own program decreases the number of students that leave the district for charter schools with the accompanying price tag to the district while at the same time increasing education choices and opportunities for the student body.

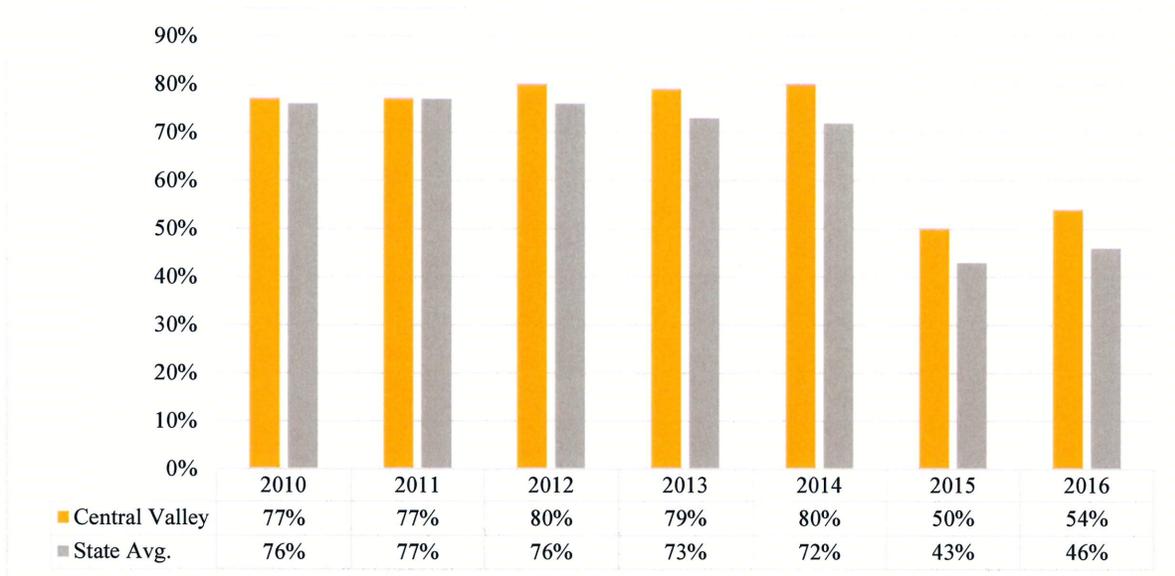
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<sup>164</sup> Information provided to the Joint State Government Commission by Mr. Nicholas Perry, Superintendent at the Central Valley School District, in his personal e-mail of May 15, 2107.

<sup>165</sup> Information provided to the Joint State Government Commission by Mr. Nicholas Perry, Superintendent at the Central Valley School District, in a telephone conversation with JSGC staff on May 15, 2017.

<sup>166</sup> Central Valley School District 1:1 iPad Program, Parent Meeting July 23, 2014, available at <http://www.centralvalleysd.org/Downloads/Parent%20Meeting%20Presentation.pdf> (accessed March 8, 2017).

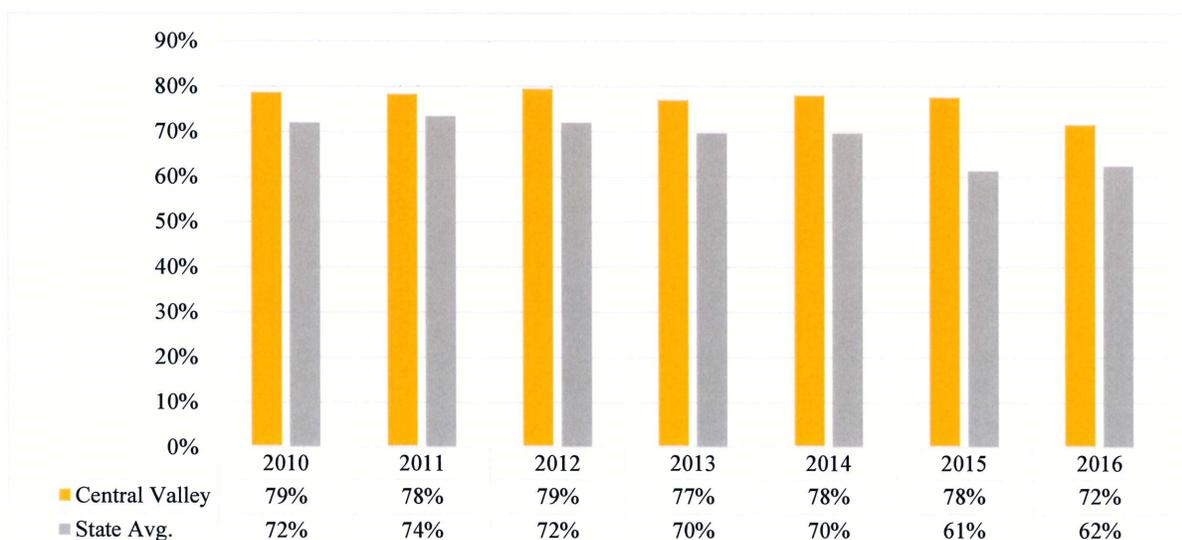
### Percent of Students Proficient or Above in Math in Central Valley School District



Source: Pennsylvania Department of Education (PDE). Analysis by the Joint State Government Commission (JSGC).

The charts above and below show the results of the combined school district’s performance on the Math and Reading portions of the PSSA tests from 2010 through 2016. In math, the district is always at or above the statewide average in the years shown. Prior to the merger, more Center Area students achieved proficient or above than the statewide norm. While that percent comes down in 2010 and 2011, the two years after merger, it then proceeds to increase in the following five years, with many more students at Central Valley achieving proficient or above than in the statewide average.

### Percent of Students Proficient or Above in Reading in Central Valley School District



Source: Pennsylvania Department of Education (PDE). Analysis by the Joint State Government Commission (JSGC)

The merger of the Monaca and Center Area School Districts remains unique as the only successful merger of Pennsylvania school districts since the 1960s. It highlights the complicated aspects of joining what are essentially two large businesses with many employees into one new cohesive business. All aspects of the merger were carried out while maintaining a functioning education system; moreover, with the goal of improving the education system. The hurdles to consolidating districts are large and varied: millage rates, staff salary schedules, school and community spirit, to name only a few of them. In Central Valley, each of these individual issues was approached with significant focus, protracted attention, and in some cases, additional help from the Commonwealth, whether that meant funding or statutory changes.