



# PENNSYLVANIA ECONOMY LEAGUE

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## Testimony to the Basic Education Funding Commission Pennsylvania Economy League Central LLC November 9, 2023

### Introduction

Good morning. My name is Lynne Shedlock, and I am the acting executive director of the Pennsylvania Economy League, an over 85-year-old non-profit, non-partisan public policy research organization. We would like to thank the Basic Education Funding Commission members for the opportunity to provide insight on school district mergers and consolidations<sup>1</sup>.

Our testimony is based on work we have completed on several school district merger/consolidation projects and considerable independent research on the topic, including PEL's 2009 study, *Municipal Merger/Consolidation and Sharing of Services*. PEL also provided peer review for the Independent Fiscal Office's (IFO) 2014 report, *Fiscal Implications of a York County School District Consolidation*.

Local government mergers and consolidations are often explored to save money. PEL's experience, and the research of numerous studies consulted for this testimony, is that mergers and consolidations do not save money in the short term and in fact can incur significant costs.

There is an assumption, however, that combining districts will save money in the long-term and create a stronger tax base to provide future revenue. A larger district can also offer more opportunities to students in terms of curriculum offerings, extra curriculars and more. What would the quality of public education in the Commonwealth be, for instance, if it still had 2,361 school districts as it did in 1960?

State legislation mandating mergers in the 1960s eventually resulted in 501 school districts — as well as a lot of hard feelings about the process. Since then, there has been only one successful consolidation. The bottom line is that there are too many impediments in the current system for consolidations to happen naturally.

That does not mean that the state, which creates the rules under which districts operate, should abandon the idea. The state should instead develop new policies and procedures that encourage merger and consolidation where it makes sense, while recognizing that not all districts are good candidates. Even if wholesale structural consolidation cannot be attained, there can be benefits to functional consolidation of programs and more.

“Structural consolidation/merger is a complex and time-consuming process, with a high probability of failure based on the historical record,” as we noted in *Municipal Merger/Consolidation and Sharing of Services*. “On the other hand, functional consolidation presents more realistic and significant opportunities to share services as opposed to structural consolidation.”

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<sup>1</sup> A word on terms. Merger means one school district is absorbed by another. Consolidation means two school districts combine into a new district. For purposes of this testimony, the terms are use interchangeably.

## Square Boxes in Round Holes

One-time and ongoing costs from a merger are not insignificant as districts must “level-up” to the higher of the two union salary schedules for teaching and non-teaching staff. Districts must mesh different curriculums, different educational philosophies, different demographics and more.

Transportation can be one of the biggest challenges. Geographical realities like mountains can result in unacceptably long bus rides and/or high transportation costs. Developing new routes can be extremely complex. Which facilities to keep and how to configure grades within buildings is a major issue. A school district merger study PEL performed recently resulted in no less than five different building and grade configuration options for two small rural school districts.

Fiscal realities are another factor. One school district might be swimming in debt. Another might be running deficits. The partner school district likely does not want to assume those liabilities. This can be true even if the partner district is financially teetering itself and could benefit from a larger tax base.

The findings from the IFO report on York County school districts are instructive. Ongoing costs from consolidation (salary increases and loss of state funds under the current system) were likely to be more than \$16 million higher than anticipated savings. Median income homeowners living in a median value house in most of the county’s existing school districts would pay higher taxes under a consolidation<sup>2</sup>.

No specific state funds exist to defray the costs of consolidation studies or the actual consolidation itself. As shown in the York case, schools anticipated *losing* money for transportation because of the demographics in a county-wide district.

Local identity is another important consideration, particularly as this identity applies to sports teams and other school-related community groups. It’s often said that the hardest animal to kill is a school mascot. School districts provide a community identity in many areas of the Commonwealth that can cause resistance to mergers. Locally elected school boards provide actual, as well as the perception of, local control and this perception can have a direct impact on a school board’s decisions in a merger or consolidation process.

## Challenges and Opportunities

School districts can face many challenges that make the idea of consolidation appealing. Apart from fiscal concerns, other considerations are shrinking enrollment and excess capacity of buildings, classroom space, staff and programs. Less students can result in less course offerings and thus less opportunity, particularly in advanced level courses, languages and more specialized subjects. The same is true of extracurriculars.

More recent events, like the post-pandemic teacher shortage and the Basic Education Funding Commission’s own mission to review the distribution of state funding to school districts, justifiably raises questions of whether consolidation could be part of the answer.

Despite the impediments and given the local government realities in Pennsylvania, PEL has long called for more service consolidation. Consolidation and merger might not save money in the short term, but it can save or enhance programs that otherwise would become unaffordable. Under the

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<sup>2</sup> *Fiscal Implications of a York County School District Consolidation*, 2014, the Independent Fiscal Office

right conditions, consolidation and merger can provide a stronger tax base and more student opportunities.

### **Recommendations**

PEL recommends a phased approach when considering merger or consolidation. First consider sharing programs, combining extracurriculars or allowing students in one district to attend an Advanced Placement or language course not offered by the other district. Sharing models already exist in the Commonwealth in the form of regional Intermediate Units and Vo-Tech schools. Moreover, technology now allows sharing of courses between districts without the need for transportation.

High school is a less complicated place to start than elementary school, which generally involves more buildings and more transportation issues.

To assist school districts in determining whether merger or consolidation would work for them, PEL worked with the Pennsylvania School Boards Association to develop the checklist below, which begins with a self-assessment. The checklist considers identifying potential partners as well as academic programs, student services, district governance, staffing patterns and bargaining agreements, operations and facilities, finances and tax base, and community involvement.

PEL has also provided the commission with the process used for consolidation and merger. Unlike municipal mergers and consolidation, which are contingent on approval by both residents and the governing bodies, there is little role for the public. The public does not vote on a school merger or consolidation, nor is there a procedure for the public to initiate a school district merger or consolidation. While this simplifies the process, it also means the public has less direct input other than through public hearings. Consider requiring input not only from the public but also from students in grades 9 to 12. It is these students that will be affected most by a merger/consolidation.

Finally, state funds are needed to pay for studies to investigate whether and how a merger would work, or if sharing of programs, personnel or facilities is an option. Money is also needed for the start-up costs associated with the actual consolidation. It is doubtful that the current situation will change unless the state offers much more in the way of financial incentives and/or mandates to encourage the process.

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<b>School District Consolidation and Merger Checklist Overview<sup>3</sup></b>		
<p>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.</p>		
<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 1.2 Generate Predictive Data 1.3 Perform an Academic Self-Assessment 1.4 Anticipate Significant Events or Changes 1.5 Identify Advantageous Shared Resource Opportunities	2.1 District Policies and Procedures 2.2 General Operations and Staff Levels 2.3 List of Course Offerings 2.4 Grade Configurations 2.5 Facility Capacity and Use 2.6 Enrollment Patterns 2.7 Achievement Measures 2.8 Demographic Characteristics and a Common Sense of Community	3.1 General Overview 3.2 Curriculum Development 3.3 Programs by Grade Level 3.4 Special Education 3.5 Cross-District Schools
<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 4.2 Social Activities 4.3 Athletic Programs 4.4 Extracurricular and Community Programs	5.1 Administration 5.2 Strategic Planning and Curriculum Development 5.3 Education Partners 5.4 Special Circumstances	6.1 Existing Staffing 6.2 Collective Bargaining Agreements
<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 7.2 Facility Cost Estimates 7.3 Transportation Analysis 7.4 Merging Services and District Operations	8.1 District Revenues 8.2 Equalizing the Tax Base 8.3 Examining Expenditures	9.1 Identify Stakeholders 9.2 Setting Expectations 9.3 Role of the Community 9.4 Communications Plan

<sup>3</sup> This table is an overview of the checklist. For the complete 14-page checklist, please contact the Pennsylvania Economy League.

### Consolidation and Merger Process

The school district merger process contains four public votes (two each by the representative school boards) and does not directly involve the public except through public meetings and hearings for public comment.

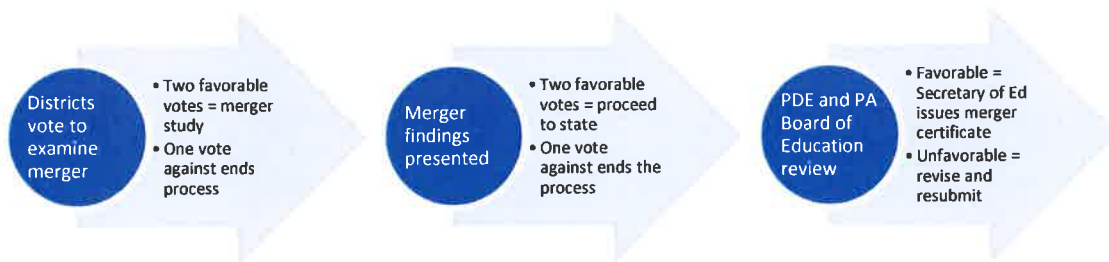
The merger of two districts is at its root a merger of the educational delivery of a state-supported function of public education. School districts in Pennsylvania share much in common with each other due to the same mandates and regulatory oversight of the Commonwealth’s Department of Education (PDE). State funding and oversight has also created common accounting and reporting requirements.

School districts in the Commonwealth are governed by the Pennsylvania Public School Code of 1949 as amended and other legislation, by regulations of the State Board of Education, and by standards of the State Department of Education. These laws, regulations, and standards impart a considerable amount of discretionary power to locally elected school boards and district superintendents.

School districts in Pennsylvania represent a mixture of Commonwealth authority and local status as a school district, as well as status as a “government” entity with taxing powers like local municipalities in the Commonwealth. School districts collect approximately 60 to 70 percent of all local real estate taxes levied in the Commonwealth.

The state Public School Code establishes basic procedures for a merger of school districts.

- A majority vote (five of nine members) of all boards involved is required.
- An application must be filed with the Secretary of Education.
- The State Board of Education must approve the application. Approval is to be granted by the State Board of Education as it deems appropriate and in the best interests of the education system of the Commonwealth. If the State Board of Education does not approve, the application must be referred to the applying districts for resubmission in accordance with the recommendations of the State Board of Education.
- The Secretary of Education issues a certificate creating the new school district. The certificate lists the district name, components, classification, and the effective date of operation.



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Other sections of the Public School Code that affect mergers of school districts include the treatment of existing indebtedness of the merged school districts, provisions for the amicable adjustment and apportionment of debt and property, and provisions for the election of school directors in the merged district.

As part of the process of voting to approve a merger, the boards of the merging complement school districts must agree on at least six items:

- The name of the school district.
- The name of the superintendent, salary, and length of contract.
- The administrative structure of the district.
- The buildings to be operated by the district.
- Which area vocational technical school the new districts' pupils will attend.
- The timeframe for the merger.