

# Why Do School District Mergers Fail?

*A Policy Brief with Recommendations*

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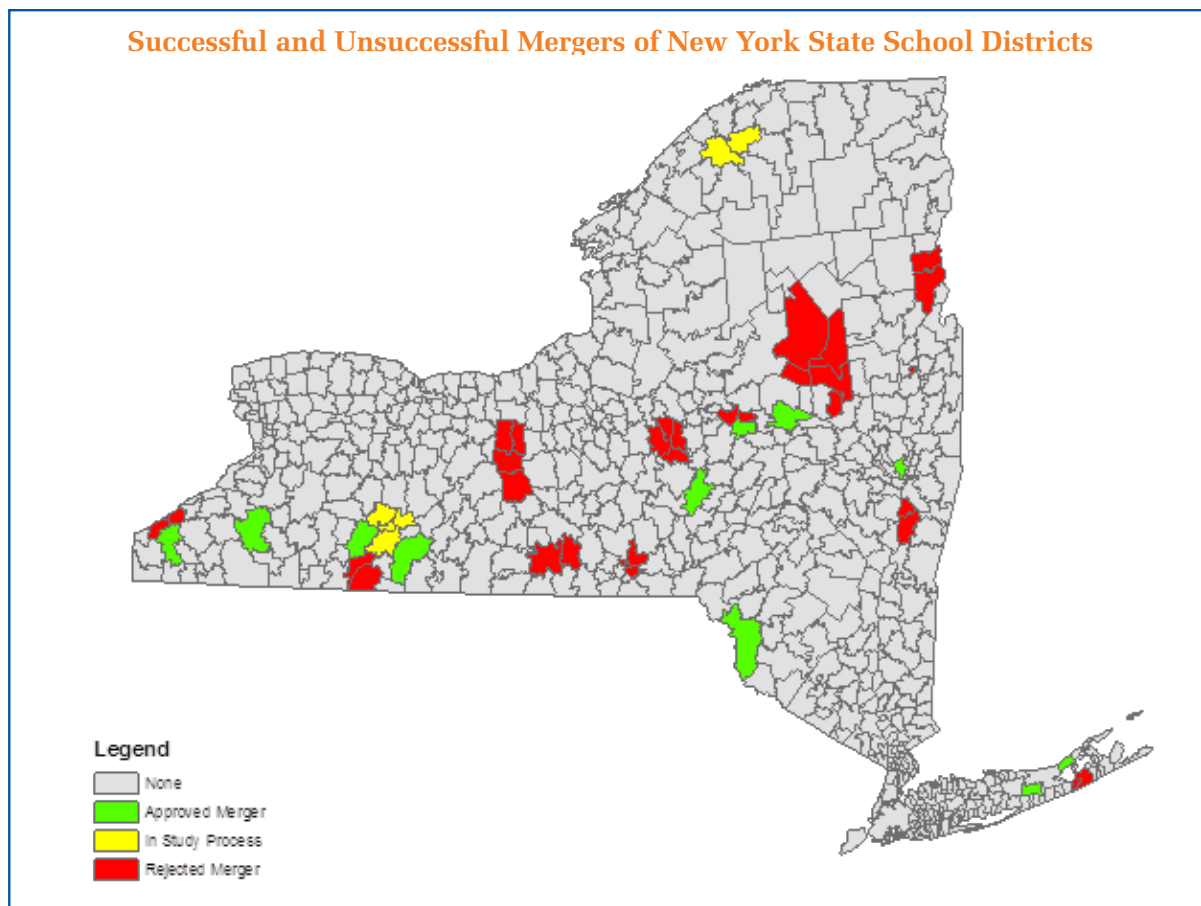
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In the late 1800's New York had roughly 11,000 school districts, mostly common school districts serving neighborhoods in New York's various communities. The Central Rural Schools Act, originally enacted in 1914, and revised in 1925, together with state aid incentives, provided the impetus for a massive reorganization that followed. Approximately 9,000 school districts reorganized in the mid 1900's resulting in the current system of approximately 700 school districts that exists today. In the past two decades school district reorganization studies are few and even fewer result in successful mergers.

Even though school districts have all but stopped merging, New York has some need to reduce the number of school districts. Half of New York school districts have less than 1,500 students and about 250 school districts have less than 1,000 students. The cost of education is high and educational opportunities for children are limited, especially in smaller school districts. Research

has demonstrated some potential for real gains in cost savings in merged school districts and educational opportunities by reorganizing smaller school districts, but actual savings have been difficult to identify due to practices such as leveling up salary schedules. Mandates, especially those that require school districts to increase teacher salaries or staffing, contribute more to the high cost of education in New York State, than do the number of school districts. Despite this, there are significant benefits to school district mergers in terms of increased opportunities for students.

The map displays three groups of districts: 26 school districts that studied and successfully reorganized into 11 school districts, since 1996 are shown in green. A second group of 30 school districts studied merger since 2010 but failed for a variety of reasons to implement any reorganization, are shown in red. Five school districts are currently studying the benefits of school district reorganization and are shown in yellow.



This policy brief looks further at the 30 school districts that studied reorganization but failed to implement a merger. Examining these recent failed mergers will add to knowledge about what types of districts are studying merger and why they fail. It considers proposals that are currently available to alleviate barriers to school district reorganization and makes recommendations.

Our study focuses on 30 school districts that studied the viability of school district reorganization since 2010. For four pairs of school districts the board of one of the districts decided not to take the reorganization to a public vote after studying the matter. The districts were:

- **Ichabod Crane** and **Schodack**
- **Madison** and **Stockbridge Valley**
- **Romulus** and **South Seneca**
- **Crown Point** and **Ticonderoga**

For seven pairs of school districts the process stopped when the districts went to a straw vote to gauge public interest and voters failed to support the proposed reorganization:

- **Lake Pleasant** and **Wells**
- **Glen Falls City** and **Glen Falls Common**
- **Seneca Falls** and **Waterloo**
- **Southampton** and **Tuckahoe Common**
- **Candor** and **Spencer Van Etten**
- **Chenango Forks** and **Chenango Valley**
- **Hamilton** and **Morrisville-Eaton**

For the remaining four pairs of school districts, voters approved reorganization in the straw vote but failed to pass it in the binding statutory referendum.

- **Scio** and **Wellsville**
- **Herkimer** and **Frankfort-Schuyler**
- **Brocton** and **Westfield**
- **Mayfield** and **Northville**

Of the 30 school districts, 28 pursued the merger process in pairs. Two of the districts (Frankfort-Schuyler and Herkimer) participated in a four-district merger process involving Frankfort-Schuyler, Herkimer, Ilion and Mohawk school districts and one participated in a three-district process involving Herkimer, Ilion and Mohawk.

After these defeated votes, Ilion and Mohawk pursued a two-district process and merged in 2013.

The following table shows that the average enrollment of these districts was 875, a size that is expected to result in cost savings according to a study by Duncombe and Yinger (2003)<sup>1</sup>. Almost half of the students in these districts were from poverty backgrounds. The communities had a median fiscal capacity well below the state average. The median school district that studied reorganization but failed to merge had about 60 percent of the wealth as the average school district in New York State. Two-thirds of the districts had good student performance as evidenced by a New York State accountability status of 'good standing' for 2013-14. The remaining 33 percent had one or more schools or the district itself that the State Education Department has rated as low performing.

### New York State School Districts with Failed Mergers Since 2010

Number of Districts	30
Number in Pairs	28
Number in Four or Three Way Merger	2
Average Enrollment	875
Average Poverty	48%
Fiscal Capacity: Median CWR	0.64
Accountability Status in Good Standing	67%
Fund Balance Loss 2010-2012	43%
Staff Loss 2010-2012	60%
Both Fund Balance and Staff Loss	27%

The majority of these school districts (68 percent) had lost staff from 2010-11 to 2012-13, four out of ten had lost fund balance over this period, and three out of ten of the districts had lost both fund balance and staff.

Reorganization laws were amended in the 1990's to require a successful vote in each district for a school district reorganization to be successful. This gives equal voice to all participating school districts regardless of size. Before that, an 'area wide' voter approval determined a successful merger. If the combined number of yes votes exceeded the combined number of no votes, the merger was approved. For the 22 school districts that went to a statutory referendum, eight school districts (36

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percent) would have had a successful merger if the law had allowed for an area wide vote.

In summary, the districts that studied merger but failed to complete the process were, for the most part, low enrollment and wealth, medium high student poverty, in good academic standing, and experienced staffing losses in recent years.

## Obstacles to School District Reorganization

From years of supporting the school district reorganization process, the New York State Education Department reports the following obstacles to school district reorganization<sup>ii</sup>. These obstacles were also encountered in these recent efforts to pursue school district reorganization.

- A fear of losing local identity
- Perception that the communities are incompatible and that one may benefit more than the other
- Higher costs and increase in property tax
- More time required for transportation
- Job security for school district employees
- Natural tendency to resist change

## Enacted Budget

The approved state budget enacted proposals relating to school district reorganization. The new laws allow school districts interested in reorganizing that would have disparate tax rates after the merger to have that impact deferred for a one-year period and/or phased-in over a period as may be determined by the boards of education of all participating school districts not to exceed a ten-year period. To exercise such option, the boards of education or trustees of all participating school districts, after conducting a public hearing, may adopt a resolution at least 45 days prior to the special district meeting at which the reorganization vote will be held. The boards of all participating school districts must approve such a deferral or phase in for it to occur.

In the case of a deferral, the previous year's tax rates are applied to the current year for each portion of the newly reorganized school district, where 'portion' refers to

each former district's part of the new district. In the case of a phase in, the change in tax rate from the prior year to the first year of reorganization is computed for each portion of the new district and divided by the number of years of phase in. In this manner, the district whose tax rates would go down phases in that decrease and the district whose tax rates would go up phases in that increase until at the end of the phase in the new tax rates are established for the reorganized school districts.

The enacted budget also included a tax freeze program that provides state support for two years for school districts that stay within their allowable levy limits and in year 2 have an approved plan to reduce levy one percent a year for the subsequent three years as a result of shared services, cooperation agreements, mergers and efficiencies implemented by the end of the 2016-17 school year.

## Recommendations

NYSASBO applauds the Governor and Legislature for enactment of legislation to phase in changes to tax rates when those are burdensome to one or more of the participating communities. In addition, NYSASBO supports other proposals to remove obstacles to school district reorganization and provide increased opportunities for students. These include:

1. Updating *Reorganization Incentive Operating Aid* through the creation of a new *Reorganization Incentive Foundation Aid*, based on more recent data and updating the data each year. The intent is to base the incentive aid on more current data and to allow incentive aid to increase as *Foundation Aid* increases. This 'unfreezing' of incentive aid will help this incentive keep pace with inflation and support school district efforts to phase in the impact of disparate tax rates.
2. Enacting legislation to allow school districts to participate in regional high schools without merging, as proposed by the Regents.
3. Moving to a single vote by removing the need for a non-binding "straw vote" before holding the binding statutory vote.

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4. Returning to the earlier merger process that allowed an “area wide” approval vote instead of separate approval votes in each district.
  5. Encouraging the creation of community schools through incentives for partnerships with other related agencies such as health, mental health or children and family services for school districts that reorganize to enhance the sense of community in the merged school district and provide the merged communities with more services. Community schools are open throughout the day, providing opportunities for extended learning time for struggling students, extracurricular activities such as arts and sports programs, and a variety of programs and services for community members.

The State can encourage boards of education to implement community schools by:

- Encouraging the study of the community school concept in Department of State grants provided to school districts to study reorganization benefits,
- Providing *Reorganization Incentive Building Aid* for the education portion of new construction situated in a mutually beneficial location that meets community school needs of the reorganized districts, and
- Inviting allied state agencies and programs, such as Health, Mental Health, Alcoholism and Substance Abuse Services, Children and Family Services, and adult and higher education to participate in the planning process and dedicate available funding to the implementation of the community school as appropriate.

## Conclusion

School district reorganization has some potential to reduce taxpayer costs by increasing economies of scale especially for school districts with less than 1,500 pupils. However the primary benefit of school district reorganization is increased learning opportunities for students. As school districts implement curricula to meet higher State learning standards and prepare students for college and career readiness, they will need to offer a program that includes a variety of courses sequenced for increasing rigor, including Advanced Placement and honors classes. These recommendations will remove roadblocks to mergers. However, they do not guarantee mergers will result in cost savings without significant mandate relief that addresses the real cost drivers of school spending. School district reorganization offers the opportunity for communities to provide more learning opportunities to students and more community services to residents, which will create a new local identity for the merged community, in which the members receive the educational and other services that help to make them productive citizens.

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## Appendix 1. School District Reorganization Activity in New York State

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### Successful Mergers Since 1996

- *Angelica* and *Belmont* became **Genesee Valley** (1996)
- *Chautauqua* and *Mayville* became **Chautauqua Lake** (1996)
- *New Berlin* and *So. New Berlin* became **Unadilla Valley** (1996)
- *Laurel* was annexed to **Mattituck-Cutchogue** (1997)
- *Eastport* and *South Manor* became **Eastport UFSD (K-6)**, **South Manor UFSD (K-6)** and **Eastport-South Manor Central High School District (7-12)** (1999)
- *Delaware Valley*, *Jefferson-Youngsville*, and *Narrowsburg* became **Sullivan West** (1999)
- *Little Valley* and *Cattaraugus* became **Cattaraugus-Little Valley** (2000)
- *Canisteo* and *Greenwood* became **Canisteo-Greenwood** (2004)
- *Eastport UFSD (K-6)*, *South Manor UFSD (K-6)*, and *Eastport-South Manor Central High School District (7-12)* reorganized to create the **Eastport-South Manor Central School District** (2004)
- *Maplewood* was annexed to **North Colonie** (2008)
- *Oppenheim-Ephratah* and *St. Johnsville* became **Oppenheim-Ephratah-St. Johnsville** (2012)
- *Ilion* and *Mohawk* became **Central Valley** (2013)

### Rejected Mergers Since 2010

- *Scio* and *Wellsville* (2010)
- *Lake Pleasant* and *Wells* (2011)
- *Kinderhook* and *Schodack* (2012)
- *Herkimer* and *Frankfort-Schuyler* (2013)
- *Glen Falls City* and *Glen Falls Common* (2013)
- *Brocton* and *Westfield* (2013)
- *Seneca Falls* and *Waterloo* (2013)
- *Southampton* and *Tuckahoe Common* (2013)
- *Madison* and *Stockbridge Valley* (2013)
- *Romulus* and *South Seneca* (2013)
- *Candor* and *Spencer Van Etten* (2013)
- *Crown Point* and *Ticonderoga* (2013)
- *Chenango Forks* and *Chenango Valley* (2013)
- *Hamilton* and *Morrisville-Eaton* (2013)
- *Mayfield* and *Northville* (2014)

### In Study Process 2014

- *Canton* and *Potsdam*
- *Alfred-Almond*, *Arkport*, and *Canaseraga*

## Appendix 2. Selected Data on School Districts That Studied Merger Since 2010 But Failed to Merge

District	13-14 Enrollment (Est)	3 Year FRPL	Combined Wealth Ratio Executive Proposal		13-14 Accountability Status	Fund Balance Loss-Staff Loss 2010-2012		Fund Balance and Staff Loss	Straw Vote if Areawide Referendum?	Would Vote Have Passed Referendum?
			81%	0.40		Local Assistance Plan	NO			
1 062301 Brocton CSD	565	81%	0.40	Local Assistance Plan	NO	YES	NO	NO	Passed	Yes
2 600301 Candor CSD	781	49%	0.47	Local Assistance Plan	YES	NO	NO	NO	Failed	No
3 030101 Chenango Forks CSD	1560	38%	0.55	Local Assistance Plan	NO	YES	NO	NO	Failed	No
4 030701 Chenango Valley CSD	1735	36%	0.65	Good Standing	YES	YES	YES	YES	Failed	No
5 150203 Crown Point CSD	268	55%	0.67	Good Standing	NO	YES	NO	NO	N/A	N/A
6 210402 Frankfort-Schuyler CSD	1057	46%	0.52	Good Standing	NO	YES	NO	NO	Passed	Yes
7 630300 Glens Falls City	2069	43%	0.81	Good Standing	YES	NO	NO	NO	Failed	N/A
8 630918 Glens Falls Common	189	74%	0.75	Good Standing	YES	NO	NO	NO	Failed	N/A
9 250701 Hamilton CSD	542	36%	1.01	Good Standing	YES	YES	YES	YES	Failed	No
10 210601 Herkimer CSD	1170	60%	0.51	Local Assistance Plan	YES	YES	YES	YES	Passed	Yes
11 101401 Kinderhook CSD	1890	22%	0.99	Good Standing	NO	YES	NO	NO	N/A	N/A
12 200601 Lake Pleasant CSD	112	20%	4.23	Good Standing	NO	NO	NO	NO	Failed	No
13 251101 Madison CSD	483	53%	0.52	Good Standing	YES	NO	NO	NO	N/A	NA
14 170801 Mayfield CSD	865	38%	0.63	Local Assistance Plan	NO	YES	NO	NO	Passed	No
15 250401 Morrisville-Eaton CSD	740	62%	0.53	Local Assistance Plan	YES	YES	YES	YES	Failed	No
16 170901 Northville CSD	445	52%	1.25	Focus District	YES	YES	YES	YES	Passed	NA
17 560603 Romulus CSD	405	46%	0.96	Good Standing	NO	YES	NO	NO	N/A	NA
18 491501 Schodack CSD	946	17%	0.84	Good Standing	YES	YES	YES	YES	N/A	NA
19 022401 Scio CSD	362	71%	0.38	Good Standing	YES	NO	NO	NO	Passed	Yes
20 560701 Seneca Falls CSD	1281	35%	0.61	Good Standing	NO	YES	NO	NO	Failed	No
21 560501 South Seneca CSD	797	54%	0.70	Good Standing	NO	YES	NO	NO	N/A	N/A
22 580906 Southampton UFSD	1563	38%	11.80	Good Standing	NO	YES	NO	NO	Failed	Yes
23 600801 Spencer VanEtten CSD	937	61%	0.51	Local Assistance Plan	YES	YES	YES	YES	Failed	No
24 251501 Stockbridge Valley CSD	453	49%	0.41	Good Standing	NO	YES	NO	NO	N/A	N/A
25 151501 Ticonderoga CSD	814	54%	1.38	Good Standing	NO	YES	NO	NO	N/A	N/A
26 580913 Tuckahoe Common SD	338	39%	3.99	Good Standing	NO	YES	NO	NO	Failed	Yes
27 561006 Waterloo CSD	1740	44%	0.48	Local Assistance Plan	NO	YES	NO	NO	Failed	No
28 200901 Wells CSD	139	49%	2.18	Good Standing	NO	YES	NO	NO	Failed	No
29 022601 Wellsville CSD	1269	53%	0.50	Focus District	NO	YES	NO	NO	Passed	Yes
30 062901 Westfield CSD	728	64%	0.55	Good Standing	YES	YES	YES	YES	Passed	Yes
<b>875</b>	<b>48%</b>	<b>0.64</b>	<b>20/30 IN GOOD STANDING</b>	<b>13/30 FB LOSS</b>	<b>18/30 STAFF LOSS</b>	<b>8/30 BOTH</b>	<b>8/22 Would Have Passed</b>	<b>14 Failed, 8 Did Not Vote</b>		



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## Notes, Sources, Acknowledgement

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### Notes

This report drew on various news articles concerning the results of reorganization votes of specific school districts.

### Data Sources

NYSASBO staff calculations.

NYSASBO. *The Road Ahead: School District Insolvency*. <http://www.nysasbo.org/page/press-releases-28/news/nysasbo-releases-the-road-ahead--school-district-insolvency-188.html> January 2014 (and based on data from the 11/15/13 Annual Financial (ST3) Report of New York State school districts).

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New York State Executive Proposal for 2014-15. Run DABTE1, 1/22/14.

### Acknowledgments

Suzanne Spear from the New York State Education Department contributed details that improved this report. NYSASBO is fully responsible for any errors concerning the presentation of the information contained in this report.

### End Notes

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<sup>i</sup> W. Duncombe and J. Yinger. Does School District Consolidation Cut Costs? 2003 found that school districts with enrollments under 1,500 had the potential for cost savings as a result of merger.

<sup>ii</sup> New York State Education Department. Reorganization of School Districts in New York State. [http://www.p12.nysed.gov/mgtsserv/sch\\_dist\\_org/](http://www.p12.nysed.gov/mgtsserv/sch_dist_org/)