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Past President, Bristol*

*Ms. Reecha G. Black
Alamo*

*Dr. Craig D. Rigell
Athens*

*Dr. Lyle C. Ailshie
Greeneville*

Association of Independent and Municipal Schools

SCHOOL CONSOLIDATION IN TENNESSEE

*Mr. Garnett E. ("Butch")
Twyman
Humboldt*

*Mr. Wayne Miller
Lenoir City*

*Ms. Marilyn M. Mathis
Murfreesboro*

*Ms. Janice Shelby
Executive Secretary*

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The Association of Independent and Municipal Schools (AIMS) is a voluntary, not-for-profit organization of city and special district public schools that was founded in 1992. Its purposes are to promote the development and improvement of municipal and special district schools in Tennessee; protect the right of those systems to maintain themselves; represent their interests in the General Assembly and other forums; foster closer ties among directors of schools, boards of education, and local government officials; and enhance the leadership role of municipal and special district systems as "lighthouses" for educational innovation and excellence.

AIMS CONSOLIDATION REPORT

I. INTRODUCTION

A. Historical Background

School consolidation has been a nationwide trend now for more than seven decades. As one might expect, schools and school districts have been getting larger due to various population explosions; yet, ironically, the number of schools and school districts historically have been decreasing. Between 1940 and 1990, there existed a 70 percent increase in school population throughout the nation; however, during this time period, the total number of K-12 schools declined more than 69 percent, and the total number of school districts declined by approximately 87 percent. The impetus towards school consolidation derived from reform efforts to “professionalize” the institution of education and redirect the decision-making authority over education away from the local community and into the hands of educational bureaucracies. State governments promoted consolidation by offering financial incentives to local districts. Although at the outset, resistance to consolidation by the local communities was strong, the local districts ultimately yielded to the financial and political pressures of the state government.

Perhaps the most significant reason for school consolidation is the increased “economy of scale.” The rationale behind “economy of scale” is the notion that school districts may decrease their production costs by increasing the size and administrative operation of their facilities. That is, as school districts seek to economize their operations, they shed themselves of surplus facilities and merge other functions into larger facilities.

School district consolidation was at its peak between 1939 and 1973. During this time frame, school districts were consolidating at a rate of 13 percent per year, thereby creating an inverse relationship with student enrollment trends: As the rate of student enrollment increases, school districts consolidate. For example, between 1930 and 1940, the average school district size was 217 students with the average school size being only 81 students. Compare these figures to the statistics taken for the year 2001: In 2001, the average school district enrollment in the nation was 2,788, and the average school size was 521 students. Furthermore, in 1937, there were more than 119,001 school districts in the United States. By 1999, the number had been reduced to 14,928.

In general, the national movement toward decentralization has reduced the number of school districts by over 100,000 since 1938, a decline of over 90 percent. Yet, over the last decade, the number of schools with over 1500 students has doubled. High schools with 2000 – 3000 students are now commonplace. Although advocates of consolidation contend that large schools offer students a broader array of courses and more sophisticated

technology, the research reveals that large schools are actually detrimental in that they foster alienation and violence, abolish the role of parents and neighbors, and lower student achievement.

B. The Tennessee Experience

The pace of school consolidation in Tennessee has been much slower than than in many other states. In 1950, Tennessee had 158 school districts; as of 2004, Tennessee has only reduced the total number of school districts by 22 to a new total of 136 school districts. The most recent school mergers have been Morristown – Hamblen County in 1985; Knoxville – Knox County in 1987; Jackson – Madison County in 1990; Chattanooga – Hamilton County in 1996; Harriman – Roane County in 2003; and Covington – Tipton County in 2003.

Of the 136 districts in Tennessee, 94 are county systems, ²⁸~~31~~ are municipal systems, and 14 are special school districts. Gibson County does not operate a countywide school system, and Carroll County does not operate a countywide program. Public education in Carroll County is provided by five special school districts and provided in Gibson County by four special districts and one city system.

In Tennessee, consolidation is frequently promoted as a means of achieving intro-county equality of school expenditures. Other proponents claim that consolidation will save money by eliminating duplicative school administrative costs and by achieving a larger economy of scale whereby more students can be educated at a lower unit cost. Advocates favoring consolidation also tout as additional benefits the provision of greater educational opportunity to the rural schoolchild and the equalization of existing pay disparities among teachers working in different districts within the same county. However, as this paper will demonstrate, there are serious ramifications to consolidation that must be considered by the school systems considering a merger.

II. LEGAL/POLITICAL CONSIDERATIONS

A. Methods of Consolidation

In Tennessee, consolidation of school districts can occur in any one of five ways:

1. By consolidation of governments, as when Metro Nashville-Davidson County was created in 1963;
2. By consolidation of school districts pursuant to procedures set forth in Tennessee Code Annotated section 49-2-1201 (Clarksville-Montgomery County, and Jackson-Madison County schools were consolidated by this method);

3. By contractual agreement as authorized in Tennessee Code Annotated section 49-2-1101 (Morristown-Hamblen County is the only example of this);
4. By multi-county consolidation as provided for in Tennessee Code Annotated section 49-2-1251 (no systems have consolidated using this statute); and
5. By default – when municipal or special district systems simply go out of business and the county takes over (McMinnville-Warren County; Shelbyville-Bedford County; and Knoxville-Knox County are examples of this).

B. Recent and Current Activity

The General Assembly has been considering a bill that was filed early in 2003, which provides for the consolidation of all current school systems to result in one system per county by September 2006. Specifically, the bill (House Bill 53 and Senate Bill 105) amends Tennessee Code Annotated section 49-1-102(c) by replacing the current language, “There may be a local public school system operated in a municipality or special school district,” with the new language, “No county shall have more than one (1) local public school system.”

Said bill also amends the following provisions of Tennessee Code Annotated in furtherance of consolidation:

- Section 49-1-103(2) by deleting all language following “any county school system”;
- Section 49-2-106, “Creation or expansion of city or special school districts,” by deleting this provision in its entirety;
- Section 49-2-107, “Special school districts—Taxes,” by deleting this provision in its entirety;
- Section 49-2-109, “Contracts with private, city or special district schools,” by deleting this provision in its entirety;
- Title 49, Chapter 2, Part 4, “Municipal Schools,” by deleting this part in its entirety;
- Title 49, Chapter 2, Part 5, “Special School Districts,” by deleting this part in its entirety;
- Title 49, Chapter 2, Part 10, “Transfer and Joint Operation of Schools,” by deleting this part in its entirety;
- Title 49, Chapter 2, Part 11, “Contractual Joint Operation of Schools,” by deleting this part in its entirety;
- Section 49-2-1201(a)(1) by amending the language from “may” to “shall” such that it states, “In all counties of this state wherein separate school systems are maintained by the county and by one (1) or more incorporated municipalities or one (1) or more special school districts, there *shall be* created and established a unification educational planning commission, hereinafter sometimes called ‘the planning commission.’”

- Section 49-2-1201(a)(2) by deleting the second sentence and replacing it with, "The request shall be accompanied by a proposed plan of consolidation, as hereinafter provided."
- Section 49-2-1201(b)(3) by amending the deadline for appointing members to the planning commission from one year to six months;
- Section 49-2-1201(f)(1) by deleting the first sentence and replacing it with, "The planning commission is authorized and directed to prepare a plan for the consolidation of such school systems";
- Section 49-2-1201(f)(2) by deleting the word "prepared" and substituting the words "agreed to";
- Section 49-2-1201(g)(2) by deleting the portion of the subdivision following the words, "original appointing authority," and adding new language such that the sentence would read in its entirety, "In the event the planning commission shall fail or refuse to make its report within the time specified, including any extension of time granted to it, then the planning commission may be terminated and discharged by notice to it from any original appointing authority, *and the commissioner is authorized to prepare a plan for the consolidation of the school systems.*"
- Section 49-2-1202 by deleting this provision in its entirety and replacing it with the following language:

Section 49-2-1202. Consolidated board.

- (a) Any plan of consolidation shall provide for a consolidated board of education, hereinafter sometimes called "the board," to be composed of five (5), seven (7), or nine (9) members whose terms of office shall be four (4) years.
- (b) (1) The plan shall provide for the election of five (5), seven (7), or nine (9) board members representing five (5), seven (7), or nine (9) school districts of approximately equal population, each such district board member to be voted upon and elected by the voters in the particular school district of which the board member is a bona fide resident.
- (2) The plan shall create five (5), seven (7), or nine (9) school districts of approximately equal population and shall prescribe the boundaries thereof. The plan shall also provide appropriate plans for reapportionment of districts after each federal decennial census, so that members of the board may continue to be elected by or from districts of approximately equal population.
- (3) Terms of office members of the board shall be staggered.
 - (A) To bring about such staggered terms, there shall be elected five (5), seven (7), or nine (9) members of the board at the first general election held subsequent to the adoption of the plan.
 - (B) At this first general election, members from even-numbered districts shall be elected to four (4) year terms

and members elected from odd-numbered districts shall be elected to two (2) year terms.

(C) Subsequent to the first election, members of the board shall be elected for the full four (4) year term.

(4) All vacancies on the board shall be filled for the unexpired term at the next regular general election occurring more than thirty (30) days subsequent to the vacancy.

(A) Immediately after the vacancy occurs, the remaining members of the board shall fill the same on an interim basis by the selection of a person qualified under this part to fill the vacancy on a permanent basis.

(B) The interim member shall hold office until the vacancy is permanently filled at the next general election.

(c) Every consolidated board of education shall have all powers and duties conferred by general law upon county boards of education. The board is also authorized to do all things necessary or proper for the establishment, operation, and maintenance of an efficient and accredited consolidated school system, not inconsistent with this part or other general law.

--Section 49-2-1203 by deleting this section in its entirety and substituting the following language: "The plan for consolidation shall provide for a director of schools appointed as provided for in Sections 49-2-203 and 49-2-301."

--Section 49-2-1204 by deleting subsection (a) in its entirety and substituting the following language: "Any plan of consolidation shall provide for continuation of any existing local retirement system existing on the effective date of this act as well as for retirement benefits otherwise provided for any local education employees on the effective date of this act."

--Section 49-2-1206, "Consolidation plan," by deleting this section in its entirety.

--Section 49-3-302(11) by deleting the current definition of "local education agency" or "LEA" and replacing it with the following language: "'Local education agency' or 'LEA' means the county or consolidated school district or system."

--Section 49-3-362, "Division of basic education program funds allocated for county director of schools," by deleting this section in its entirety.

The proposed bill has not met with anything close to unanimous approval. While few challenge the authority and decision of local school districts to consolidate, the outcry is aimed at state-mandated consolidations. Nevertheless, the call for consolidating school districts continues. However, the issue needs to be studied objectively in order to determine whether consolidation is good for Tennessee. Indeed, of the relative paucity of information and research on this subject, several studies indicate that consolidation may not be the ideal solution to the problems existing in schools today.

III. THE PUSH FOR SCHOOL CONSOLIDATION

A. Will Consolidation of School Districts Save Money?

“Consolidation has been costly and it has not yet produced the administrative cost savings that many people had expected.—It has been a mess.”

Leo Cooper, Chairman, Knox County Commission

A recent case of consolidation of school systems in Tennessee is the merger of Roane County/Harriman schools. The Finance Department of the Roane County school system reported that as a result of the consolidation of these two systems, Roane County incurred an estimated additional cost of \$1,062,000. Part of this increase was the result of leveling up teacher salaries and benefits for a cost of \$456,000; upgrading the city schools for a cost of approximately \$100,000; updating textbooks and technology for an approximate cost of \$120,000; and assuming the city's outstanding school debt of an approximate cost of \$260,000. While the county enjoyed a savings in the approximate amount of \$114,000 for support staff who either retired or were not rehired, said savings is a mere pittance in comparison to the overwhelming expenditures that the county was forced to endure. In 2003, the county property tax increased by 27½ cents, of which the education share amounted to 27 cents. As a direct result of the consolidation between these two school systems, the county suffered a property tax increase in 2003 raising the tax from \$1.24 to \$1.51½.

The issue of consolidation is also ripe in Memphis and Shelby County, with proponents arguing that consolidation would be the best way to reduce county indebtedness and improve efficiency by eliminating duplicated administrative jobs. However, when one really examines the potential effects of the consolidation of Memphis/Shelby County school districts, one may not find in consolidation the “panacea” that some would believe. One example of the potential hardship resulting from the consolidation of Memphis/Shelby County is that the merger of these two school systems would yield a school district enrollment of over 161,000 students, making this district the twelfth largest district in the United States. Second, consolidation would require new voting districts to be established for board members, thereby creating a school board that would be controlled by representatives of the larger school system. Third, the per-pupil expenditure for Shelby County schools in 2002 was \$1,344.00 less than that of Memphis City Schools. When considering the statutory provision prohibiting “any diminution in the level of the educational services in the schools in any of the systems involved,” Tenn. Code Ann. § 49-2-1201, the cost of “leveling up” the salary schedules, pensions, and insurance benefits of all teaching and non-teaching personnel within the respective systems would potentially cost over \$60 million for the first year of consolidation.

Most importantly, a merger of these two school systems would seriously affect academic performance. Poor performance is typically inherent in large school districts, and Memphis city schools are already among the poorest performers in the state. In 2001, the Tennessee Board of Education released a list of the 98 underperforming schools in the state, 64 of which were from the Memphis city system.

In summary, school consolidations potentially cost more because:

1. Differentials in salaries and benefits, by law, have to be equalized in accordance with the school system offering the most beneficial packages;
2. Larger schools require costly added tiers of administration, more security personnel, and additional maintenance and operations personnel. These expenditures significantly increase the per-pupil cost of a school and consistently increase as the school gets larger;
3. Smaller schools are significantly less expensive to build;
4. Transportation costs usually increase significantly. Some city and special district systems do not provide pupil transportation, but most counties do. New zoning plans generate more need for transportation and, in general, the number of students eligible for transportation increases;
5. The long-term costs to society as a result of larger schools are important factors to consider. With larger schools, there is a lower graduation rate. The costs to society as a result of dropouts are seen in terms of the dropouts' lower earning power, higher arrests, and poorer health. Furthermore, said larger schools usually witness more violence, lower social integration, and overall poorer student behavior.

B. Is Bigger Necessarily Better? Does Consolidation Enhance Educational Opportunity?

The Tennessee School Boards Association has taken the position that school district consolidation should be decided locally on a case-by-case basis. The local citizens opt to pay higher taxes to provide additional opportunities for their children, thereby creating smaller and better-financed school systems offering unique programs and services. Therefore, TSBA believes that it is the citizenry and the local governments who know the needs of their children and their communities, and the decision of whether to consolidate should be left to them.

The National Association of the State Boards of Education cites to several studies on the effects of consolidation of school districts across the country, and the results of these studies do not demonstrate any significant financial advantage in

favor of consolidation. Indeed, one New York study found that—holding student achievement constant—consolidation was likely to lower the costs of two 300-pupil districts by more than 20 percent, to lower the costs of two 900-pupil districts by 7 to 9 percent, and to have little, if any, impact on the costs of two 1,500-pupil districts.

While studies have demonstrated the problematic effects of school district consolidation, studies also paint an unfavorable picture of the effects of school consolidation. Indeed, in an article by the Rural School and Community Trust summarizing the consolidation efforts of West Virginia, the results of school consolidation have been devastating. West Virginia has aggressively pursued consolidation since 1990, closing over 300 schools. The cost to the state has been more than \$1 billion, and the school closings were found not to have saved the taxpayers any money. Indeed, the number of local administrators increased by 16% since 1990, despite a 13% decrease in student enrollment and the closing of over 300 schools. The number of state-level administrators increased and their salaries nearly doubled between 1990 and 2002. Furthermore, the number of children who ride buses for more than two hours per day doubled between 1992 and 1996, despite the fact that 25,000 fewer children rode buses. Finally, and importantly, the consolidation efforts have had a negative impact on academics. Several counties dropped Advanced Placement and foreign language classes in their schools, and fewer than half of students who took AP exams in 2001 passed said exams, compared to the 56% passing rate of students who took the exams in 1997.

When looking at both school district and school consolidation, the norm is for the individual school to grow larger. Unfortunately, studies consistently show that the larger schools breed alienation and violence. One study looked at high schools ranging in size from 100 to 4,000 students and observed an inverse relationship between size and achievement: As schools grew larger, student achievement declined. Furthermore, the larger schools had higher rates of absenteeism, dropouts, discipline problems, and disorder. For example, there are twice as many dropouts in high schools with 2,000 students as there are in schools with approximately 650 students. In 1996-97, the Department of Education issued a report, "Violence and Discipline Problems in U.S. Public Schools: 1996-97." In that report, the Department found that 38% of principals in schools with enrollments of over 1,000 students reported serious discipline problems, compared to 15% of principals in medium size schools and only 10% in small schools. In addition, during the 1996-97 school year, 39% of small rural schools reported a less serious crime (e.g., physical attack without a weapon, theft/larceny, and vandalism), compared to 42% of large urban schools. The Department of Education has also reported that schools of 1,000 or more students experience 825% more violent crimes, 270% more vandalism, and 1,000% more weapons incidents when compared with schools of 300 or fewer students.

In 1999, in the wake of the Columbine High School shootings, Education Secretary Richard Riley convened a panel of school security experts to suggest remedies for the ongoing issue of violence in schools. The panel members did not recommend gun control or metal detectors, but rather, recommended decreasing the size of the nation's schools.

The key reason for the increased amount of behavior problems and violence in larger schools is the lack of community within these behemoths. Students in larger schools feel less connected to their teachers and peers, and these students are less involved in curricular and extracurricular activities. Moreover, the student involvement rate is lower in larger schools. Not only are students less inclined to become involved, but the sheer reality of how few kids "make the cut" on a sports team or a school play fosters the lower level of involvement in a larger school.

In contrast, smaller schools foster a sense of belonging. Teachers are able to work more closely with a smaller number of students, not only forming relationships with them, but also concentrating on the child's individual needs. Small schools are also more likely to recruit volunteers from the community to participate in school activities, thereby encouraging community involvement. Finally, small schools reduce the impact of poverty on student learning and achievement. Researchers at Ohio University and Marshall University found that low-income students who attended smaller schools had higher test scores than low-income students attending larger schools. It is not surprising, then, that the overwhelming result from the research that has been done is that students from smaller schools are more interested in learning and outperform students at larger schools on standardized tests.

Arguments about the optimum size of school districts have raged for years. There is evidence, however, that school districts with student maximums of around 5,000 are more cost effective, have lower dropout rates, higher SAT and ACT scores, and higher graduation rates than districts with more than 5,000 students. Conversely, districts of fewer than 500 students may be too small to provide needed courses and student activities.

While the debate over the appropriate number and size of school districts will likely continue, two facts are very clear: First, bigger is not necessarily better. There is a marked nationwide realization, and a consensus among scholars, that the long-time mad rush for consolidation has not been a positive thing, and needs to be reexamined. Second, those state officials (in Tennessee and elsewhere) who continue to blindly push for more consolidation are ignoring some very important realities and may be doing a real disservice to public education.

Additional support for smaller schools comes from the Bill & Melinda Gates Foundation's Nation School District and Network Grants Program that has committed \$350 million to organizations across the country supporting school

reform. Specifically, the program supports “the start-up of new small high schools of no more than 400 students, and the conversion of large high schools into smaller, more personalized schools or learning communities.” (The Bill & Melinda Gates Foundation, 2003).

C. **What Happens When School Districts Are Consolidated?**

Some good outcomes can result from consolidation. Depending upon local circumstances, some of these possible benefits are: cost savings for city governments; better building utilization; cost benefits from consolidating building maintenance because there is no need to maintain duplicate facilities; elimination of zone/attendance problems; elimination of spending disparities within the county; counties no longer have to share school funds; administrative cost savings from elimination of duplicate positions; greater racial balance; some teachers benefit from having their salaries equalized; and some students benefit from curriculum equalization by having more course offerings.

These potential benefits, however, need to be weighed against some very formidable actual or potential problems.

1. Costs go up. This has been discussed previously. Leveling up is an expensive requirement. *Importantly, there will always be hidden costs that may not be readily apparent when discussions about consolidation first occur.* Said costs can stem from unpaid debts, retirement funds, hiring issues, and quality of buses and equipment.
2. Taxes go up. In Knoxville-Knox County the schools’ share of the county property tax rate increased by 57% in the first five years after consolidation. In Jackson-Madison County taxes went up even more. City property taxes stayed the same, the local sales tax was increased by one-half cent, and the county property tax rate went from \$2.56 the last year before consolidation to \$3.55 two years later. Roane County residents also experienced a property tax increase in 2003, the magnitude of which would not otherwise have been imposed but for the merger of the two school systems.
3. Social ramifications. Studies have shown that in larger merged school systems, there is less participation in decision-making by teachers and administrators; there is less parent-teacher involvement; there is less individualized attention given to the student, thereby producing frustration, alienation, and diminished morale by students and school staff.

4. The “competitive edge” is lost. In counties with multiple local education agencies, students benefit from the often active and visible competition between or among school districts. After consolidation the county system has a monopoly, and the striving for excellence may diminish.
5. Lighthouse districts may disappear. In Tennessee we have some outstanding city and special district school systems. It has taken years to build these “lighthouse districts” that provide not only excellent instruction but illumination for others to follow. They are on the cutting edge of the education movement--they excel in achievement test scores, have higher graduation rates, obtain more college scholarship offers, design more advanced facilities and more adequately utilize technology. Many industries locate in Tennessee because of the excellence of the local school system. Consolidation can eliminate this very effective economic development resource.
6. Support for public education may decline. City and special districts were established in the first place because the county government could not or would not support public schools at the level desired by some local residents. Does consolidation automatically mean that county officials will now be able and willing to fund schools adequately? When parents send their children to nearby jurisdictions, or enroll them in private schools, this actually lessens the pressure on the county to allocate more money for public schools.
7. Frustrations increase. After consolidation, students, teachers, and administrators are often reassigned. A lot of effort and energy go into the transition. The system may go through many years of “wear and tear” before things settle down. A significant portion of a student’s educational career may be lost in the process.
8. Public satisfaction decreases. When schools are consolidated, an important element of community identity and support is lost. It is more difficult for parents to become involved in the school their child attends when it is large and far away.
9. Labor and contractual arrangements may present problems. Teachers may be unionized in one district but not in another. Some systems have their own transportation or food service systems, while others contract with private companies or individuals for these services. Contracts – including the one with the superintendent – must be honored or “bought out.”
10. Local identity and control are lost. The current trend in private industry and in large public school systems in California and elsewhere is decentralization. Workers, citizens, and parents want more control over their lives and the

destinies of their children. That control is lost when municipal and special district schools are consolidated with the county system.

IV. CONCLUSION

In Tennessee, the issue of school consolidation has been clouded by emotions and misconceptions. This report has attempted to look at the issue in a way that may not have been considered before.

If you are involved in a consolidation study, or are considering such a study, just remember these extremely important guidelines:

1. When considering consolidation, a school system should investigate the nature, extent, and strength of other community institutions and social service agencies serving any community that would face possible loss of its schools.
2. In communities where the school is the sole source of community services, the loss of the school would be potentially devastating. School officials should reconsider consolidation. In the alternative, communities with strong networks of organizations and facilities would be better able to withstand the loss of schools through consolidation.
3. Consider the points raised in this report: CONSOLIDATION ALWAYS RESULTS IN BIGGER SYSTEMS, BUT DOES IT RESULT IN BETTER SYSTEMS?
4. Look for alternatives. Many systems that have decided against consolidation have discovered new methods of coordination and cooperation, such as facility utilization, purchasing, transportation, sharing of special staff resources, curriculum planning, transfer policy, and professional development. Taxpayers and students deserve the most "bang" from every education "buck." CONSOLIDATION IS ONLY ONE OF THE ALTERNATIVES THAT SHOULD BE CONSIDERED.

Public policy is improved when citizens and their elected officials make informed choices. We hope this report will be helpful to all those who are examining the issue of school consolidation or will do so in the future.

"One system per county," as a blanket statement without further inquiry or research, is potentially harmful, and should be immediately recognized as such by any reasonable person.

In any objective look at consolidation, it is logical to ask how many school districts other states have. Table 1 shows Tennessee in comparison to contiguous states. The clear fact is that Tennessee does not have too many school districts in comparison with all other states, nor does it have too many districts in comparison with the states contiguous to us.

Table I

Comparison of School Districts in Contiguous States

	<u>State</u>	<u>Ave. Daily Attendance</u>	<u>School Districts</u>
1.	Missouri	847,854	524
2.	Arkansas	445,000	310
3.	Kentucky	650,227	176
4.	Georgia	1,496,012	180
5.	Mississippi	492,198	152
6.	Virginia	1,133,320	137
7.	Tennessee	974,133	136
8.	North Carolina	1,303,777	117
9.	Alabama	731,103	128