Why Do School District Mergers Fail?

A Policy Brief with Recommendations

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Advancing the Business of Education
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Why Do School District Mergers Fail?

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 The Central Rural Schools Act, originally enacted in 1914, and revised in 1925, together with state aid incentives, provided the impetus for a massive reorganization that followed.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). 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

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

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

Successful Mergers Since 1996

- Angelica and Belmont became Genesee Valley (1996)
- Chautauqua and Mayville became Chautauqua Lake (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)
- Little Valley and Cattaraugus became Cattaraugus-Little Valley (2000)
- 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)
- 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

<table>
<thead>
<tr>
<th>District</th>
<th>13-14 Enrollment (Est)</th>
<th>3 Year FRPL</th>
<th>Combined Wealth Ratio</th>
<th>Executive Proposal</th>
<th>13-14 Accountability Status</th>
<th>Staff Loss 2010-2012</th>
<th>Would Vote Have Passed if Areawide Referendum?</th>
<th>Straw Vote Result</th>
<th>Fund Balance and Staff Loss 2010-2012</th>
<th>Lost Proposal</th>
<th>Lost 2010-2012</th>
<th>Lost 2010-2012</th>
<th>Lost 2010-2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 062301 Burtin CSD</td>
<td>545</td>
<td>81%</td>
<td>0.40</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>NO</td>
<td>Passed</td>
<td>NO</td>
<td>Failed</td>
<td>Failed</td>
<td>Failed</td>
<td>Failed</td>
</tr>
<tr>
<td>2 680301 Canastota CSD</td>
<td>781</td>
<td>49%</td>
<td>0.57</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
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<tr>
<td>3 030201 Chenango Forks CSD</td>
<td>1590</td>
<td>36%</td>
<td>0.65</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
</tr>
<tr>
<td>4 519203 Crown Point Schuyler CSD</td>
<td>268</td>
<td>55%</td>
<td>0.67</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
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<tr>
<td>5 629002 Glens Falls City</td>
<td>1057</td>
<td>40%</td>
<td>0.22</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
</tr>
<tr>
<td>6 629008 Glens Falls Central</td>
<td>1057</td>
<td>40%</td>
<td>0.22</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
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<tr>
<td>7 6100401 Herkimer CSD</td>
<td>1890</td>
<td>56%</td>
<td>1.01</td>
<td>Local Assistance Plan</td>
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<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
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<tr>
<td>8 6100031 Kinderhook CSD</td>
<td>1890</td>
<td>56%</td>
<td>1.01</td>
<td>Local Assistance Plan</td>
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<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
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<tr>
<td>9 030101 Chenango Forks CSD</td>
<td>1560</td>
<td>38%</td>
<td>0.55</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
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<tr>
<td>10 030701 Chenango Valley CSD</td>
<td>1735</td>
<td>35%</td>
<td>0.64</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
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<tr>
<td>11 150203 Crown Point CSD</td>
<td>268</td>
<td>55%</td>
<td>0.67</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
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<td>12 210402 Frankfort-Schuyler CSD</td>
<td>1057</td>
<td>40%</td>
<td>0.22</td>
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<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
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<tr>
<td>13 630300 Glens Falls City</td>
<td>2069</td>
<td>43%</td>
<td>0.55</td>
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<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
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<tr>
<td>14 630918 Glens Falls Central</td>
<td>1890</td>
<td>43%</td>
<td>0.55</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
<td>Failed</td>
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<tr>
<td>15 250701 Hamilton CSD</td>
<td>542</td>
<td>38%</td>
<td>0.52</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
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<td>Failed</td>
<td>Failed</td>
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<tr>
<td>16 030601 Lake Pleasant CSD</td>
<td>112</td>
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<td>Local Assistance Plan</td>
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<td>NO</td>
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<td>Failed</td>
<td>Failed</td>
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<tr>
<td>17 251101 Madison CSD</td>
<td>1120</td>
<td>22%</td>
<td>0.22</td>
<td>Local Assistance Plan</td>
<td>NO</td>
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<td>Failed</td>
<td>Failed</td>
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<td>Failed</td>
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<tr>
<td>18 170801 Mayfield CSD</td>
<td>1200</td>
<td>23%</td>
<td>0.22</td>
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<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
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<tr>
<td>19 170901 Northville CSD</td>
<td>1200</td>
<td>23%</td>
<td>0.22</td>
<td>Local Assistance Plan</td>
<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
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<tr>
<td>20 250401 Morrisville-Eaton CSD</td>
<td>740</td>
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<td>Local Assistance Plan</td>
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<td>Failed</td>
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<td>21 170901 New York City</td>
<td>946</td>
<td>17%</td>
<td>0.44</td>
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<td>NO</td>
<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
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<tr>
<td>22 250501 New York State</td>
<td>342</td>
<td>71%</td>
<td>0.44</td>
<td>Local Assistance Plan</td>
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<td>NO</td>
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<td>Failed</td>
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<td>23 250601 Northville CSD</td>
<td>1890</td>
<td>56%</td>
<td>1.01</td>
<td>Local Assistance Plan</td>
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<td>Failed</td>
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<tr>
<td>24 251301 Northville Central</td>
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<td>1.01</td>
<td>Local Assistance Plan</td>
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<td>25 170801 South Seneca CSD</td>
<td>338</td>
<td>39%</td>
<td>0.96</td>
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<td>39%</td>
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<td>53%</td>
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<td>No</td>
<td>Passed</td>
<td>No</td>
<td>NO</td>
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<td>30 062901 Westfield CSD</td>
<td>728</td>
<td>64%</td>
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<td>NO</td>
<td>No</td>
<td>Failed</td>
<td>Failed</td>
<td>Passed</td>
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Notes, Sources, Acknowledgement

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

Data Sources
NYSASBO staff calculations.


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

1 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.