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Summary

Consolidating school districts sounds like a good idea, but in reality costs actually go up and efficiency actually goes down. Bigger districts suck power upward and away from parents and students. Accountability declines and special interests, including teacher unions, gain more power. To control costs and improve student performance, Oregon should go in the opposite direction and deconsolidate districts.

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Deconsolidate Oregon's School Districts

by John T. Wenders, Ph.D.

Some Oregon legislators are about to fall into the “bigger is better” trap. They want to consolidate Oregon's Educational Service Districts from 20 down to nine and consolidate the state's 198 school districts down to 36, one for each county.

Instead of pushing a clearly failed idea, they should design a plan to do exactly the opposite—deconsolidation.

Oregon's Education Service Districts administer some state and federal programs and provide other services for local school districts within their boundaries. School districts administer the bulk of state, local and federal education funding and control the public schools within their boundaries.

So, why have past consolidation efforts have failed? The idea behind consolidation is that districts will reap economies of scale, reduce costs, boost efficiency and leave everything else the same. The reality is that when you consolidate districts, a lot of other things change, and just the opposite happens.

Consolidation sucks power upward and away from parents and students into top-down, centralized and inflexible political arrangements, where unions and other special interests have more political clout. This causes accountability to decline and results in higher per pupil costs and lower educational results.

Consolidation is nothing new in Oregon. From 1992 through 2001, legislation resulted in 277 school districts being consolidated down to 198. Rather than fewer districts resulting in less administrative overhead, at the end of the period there were actually more central office staff per pupil than at the beginning. Also, non-teaching staff grew faster than teachers and real per student spending rose more than 11 percent.

Over longer periods the effects of consolidation nationally have been even more dramatic. Real per-pupil costs have risen 600 percent since World War II and over the last century the local share of school funding has dwindled from 80 percent down to 45.4 percent. It is no coincidence that much of this increase and shift in funding occurred during the post-war period to the mid-1970s when the number of school districts fell by 83 percent.

The nationwide shift in funding away from the local level went even farther in Oregon, where only about 30 percent of school funding still comes from local taxes and power moved upward to Salem. There, special interest groups are better able to secure larger hikes in school funding and to divert much of the incremental increases toward themselves and their members.

What did we get for this massive increase in spending and centralization of funding and decision making? Not much. The national data show constant or gradually improving student performance from the early 1950s until the early 1960s. From then until the early 1980s scores plummeted. There has since been some recovery in scores, but all test scores are well below what they would have been had the pre-1960s trend continued.

It all happened largely because consolidation discouraged competition and education diversity. Economists Sam Peltzman (Univ. of Chicago) and Caroline Hoxby (Harvard) have found that the deterioration in pupil performance was greatest where the shift in funding from local to state sources was greatest and that the upward movement of power added to union influence.

Consider teacher pay and work rules. Teacher unions bargain at the district level. As districts become larger, negotiators on both sides are farther removed from direct knowledge of individual teachers and schools. District-wide, inflexible pay schedules and work rules become more homogenized and detached from the performance of real teachers and schools.

Based on the evidence, current consolidation proposals will further raise education costs and reduce student performance. Conversely, de-consolidation would help stop escalating costs and improve student performance by bringing schools closer to parents.

Indeed, private (and charter) schools almost never have any administrative structure above the school level, and they deliver at least comparable education. They are about one-third to one-half the size of public schools and operate at about 60-65% of the per pupil cost.

Legislators interested in controlling costs and improving student performance should support deconsolidation that will a) reduce administration above the school level, b) give principals real control of their schools, including control over budgets, staff and collective bargaining, c) distribute money to individual schools on a per student basis, and d) give parents choice among schools — open enrollment, with money following the student. Proposals for more consolidation go in exactly the wrong direction.

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