

### **Talk of Another School Merger: Good Idea or Not?**

In a *Policy Brief* late last year (*Volume 13, Number 48*) we reviewed the school district merger between Center Area and Monaca in Beaver County. Those districts merged to become Central Valley. We noted that combining the districts did in fact result in some cost savings, albeit minor, in the three years post-merger. We also noted that given the sluggishness of the economy and the looming pension burden facing most districts, that perhaps merging school districts is an idea worth revisiting. Recently two neighboring Allegheny County school districts, Moon and Cornell, have openly discussed the possibility of merging.

There are several factors that will play important roles in a decision to merge or not to merge. Obviously, one of the key reasons to merge will be a potential, meaningful reduction in expenses of the combined district. Potential cost savings can be realized in several areas where duplication of functions can lead to cuts—such as administrative expenses, athletics and related personnel expenses, duplicative music and extracurricular program savings. Presumably, only one superintendent, one football coaching staff, etc. would be needed. Likewise, depending upon the size of the two merger candidates and space utilization, closing school buildings and reconfiguring school coverage areas could be a major source of savings.

Furthermore, there are efficiencies to be gained from reorganizing programs and teaching assignments. A larger district should be able to offer more programs such as advanced math and science courses or more offerings in foreign language—all of which have the potential to enrich and boost the quality of the academic experience.

Other relevant factors can support the notion of a merger. For instance, declining enrollments in both districts and forecasts of continuing decline could be an incentive to better utilize facilities and staff by combining. In such instances, the ability of the separate districts to sustain the variety and quality of academic, arts and extracurricular programs becomes increasingly difficult and less economically viable. Another factor that makes a successful merger more likely is whether or not the academic performance of the students in the two districts are similar and therefore likely to be compatible in a merged district.

Of course, merging two districts will present some serious challenges that must be confronted. First and foremost will be political and labor considerations. How will the two school boards approach the prospect of merging? After a merger, how will the board be comprised? That said, combining two boards may not be nearly as complicated as merging labor contracts. Problems will arise when there are differing pay scales for employees in the two districts, as well as differences in work rules, grievance procedures and benefit packages including healthcare. Then too, long-term liabilities such as debt levels and pension issues plans must also be dealt with.

As we noted in last year's *Policy Brief*, Center and Monaca districts worked through these issues to merge successfully. Can the Moon and Cornell school districts follow in their footsteps? The most interesting thing about these two districts is that they are very different in terms of enrollment and pattern of enrollment change. Moon, whose board directed the superintendent to pursue a merger with Cornell, has almost six times the enrollment of Cornell (3,700 vs. 650 as of the last school year, 2013-2014). In addition, Moon's enrollment, drawn from Moon and Crescent Townships, has remained fairly steady over the last five years (up one percent) while Cornell's, coming from Coraopolis Borough and Neville Township, has fallen about four percent during that time. Moon has many more buildings—one high school, two middle schools, and five elementary schools. Cornell has but one building that houses both elementary grades (K-6) in one wing and the upper grades (7-12) in the other. Based on this information would the Cornell building be closed and its students folded into the Moon system? Local news reports indicate that the Moon district is shuttering one of its elementary schools for the upcoming school year. How would a merger affect this decision?

News reports indicate Cornell is willing to listen to Moon regarding a possible merger. It is noteworthy that comments from parents in the Cornell district focused on the opportunity to improve academic and athletic offerings from a merger with Moon as a result of efficiencies from reorganizing programs. They also mentioned the possibility of lower tax rates—which is naturally on property owners' minds these days because of the huge pension funding requirements that are coming over the next several years.

According to school financial data from the State Department of Education, the equalized millage rate for Cornell stood at 30.6 mills for the 2012-2013 school year (latest available) while Moon's equalized millage came in at 24.5. Local real estate tax revenue was \$6.9 million in Cornell and \$38.8 million in Moon. Of course, the Moon District covers a much larger area and has a much larger aggregate market value for taxable property (\$1.84 billion vs. \$273.8 million). However, on a per pupil basis they collect nearly the same amount of local real estate revenues (\$10,700 for Cornell and \$10,400 for Moon) owing in part to the higher millage rate in Cornell.

Obviously, the ability to save money will depend on how finances, especially expenditures, are handled in the merged district. For virtually all school districts, personnel costs account for the majority of expenditures. On a per pupil basis, Cornell tops Moon with \$18,500 in total outlays compared to Moon's \$16,500. They are also higher per pupil in the broad categories of classroom instruction, administration,

operation and maintenance of plant services, and student transportation services. Thus, it is apparent that Cornell is receiving more dollars in state or other education assistance per student than Moon—on a per pupil basis, Cornell received roughly \$5,200 from the state while Moon received \$3,350.

A potential serious problem arises due to the differences in teacher pay levels. Average salaries are significantly higher in the Moon District than in Cornell. Note that for the most recent year with available data (2012-2013) average teacher salaries in Moon ran \$10,000 higher than in Cornell (\$61,000 vs. \$51,000). The spread was even larger for administrative personnel where the average salary in Moon was more than \$102,800 while in Cornell it came in just below \$82,000. As mentioned above, merging the two labor contracts will be a major challenge.

Consider that prior to merging Center Area's teachers had an average salary of \$57,150 while Monaca's average was \$52,350. In its first year of the merged district the average salary for Central Valley classroom teachers was \$57,200. Of course the number of teachers had fallen from a combined 207 to 139 in that first year while the most recent data pegs it higher (157).

Another problem that is almost certain to arise is the gap in academic performance as measured by the latest available PSSA scores from the two districts. For all grades, twenty percent more Moon students score at the advanced or proficient level than Cornell students in both math (87 percent to 68 percent) and reading (84 percent to 64 percent). For 11<sup>th</sup> graders the scores are even further apart for the two districts. In math, Moon had 76 percent advanced or proficient, Cornell only 49. In reading, Moon had 80 percent advanced or proficient while Cornell had only 44 percent. Even more concerning, 39 percent of Cornell students scored below basic in math compared to 13 percent in Moon. Thus, the merger of the two districts is likely to encounter problems unless or until those gaps can be reduced.

Nonetheless, despite the challenges faced in a possible merger between the Moon School District and the Cornell District, both have expressed a willingness to talk about merging their districts. The Center/Monaca merger provides evidence that successful voluntary mergers can be done and there are advantages such as cost savings, economies of scale, and improved academic offerings. Whether or not these two school districts proceed past talking about a merger remains to be seen. The issues raised by this *Policy Brief* will undoubtedly be discussed at length.

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