

HIGHLIGHTS

OPTIONS FOR MULTIDISTRICT COUNTIES THE VIEW FROM ANDERSON COUNTY, SOUTH CAROLINA

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Anderson County Trends and Study Rationale

This study of options for Anderson County, South Carolina's five school districts was undertaken in response to several important developments. Since these districts were created, Interstate 85 and Lake Hartwell dramatically changed the face of the county and the locus of economic and residential growth, which is now concentrated along that highway and shorefront as well as around the city of Anderson. The five districts, which were roughly equal in student enrollment and tax base when they were created by consolidation in 1952, are very unequal today.

In fiscal year 2008-09, these districts range in size from 2,587 students in Anderson School District Three to 12,055 students in Anderson School District Five. Growth in the number of pupils enrolled in the five school districts has been very unequal, even in the last 10 years. Enrollment in District One grew rapidly at almost 30 percent over the decade. Enrollment in Districts Four and Five increased by 14 percent and 12 percent, respectively, while District Two (6.5 percent) and District Three (one percent) grew much more slowly.

Tax bases and tax rates are also unequal among the five districts. In tax year 2008, District Two has only \$14,197 in assessed (taxable) property value per pupil while District Four has \$33,719 in assessed value per pupil (fee in lieu of tax payments excluded). Property tax rates for district operations in fiscal year 2008-09 ranged from 112.0 mills in Anderson School District One to 158.4 mills in Anderson School District Two. These inequalities among districts are likely to increase in the next twenty years. Anticipated growth of all kinds—in taxable resources, pupils and local revenue—remains highest for District One, District Four and District Five, with slower growth expected in Districts Two and Three.

Yet these students and their families are all citizens of one county. The industrial and commercial development that contributes heavily to the support of the schools is recruited by county officials, but benefits some districts more than others simply on the basis of where it is located. Anderson County Board of Education, which oversees budgets and addresses common concerns for all five districts, requested this study in order to see how the county might best

balance the desire for autonomy and diversity represented by five districts and the need to provide equal educational opportunities for all of Anderson County's children.

Other Developments Affecting School District Organization

Other developments have put the issue of options for education on the front burner as well. There have been dramatic changes in the way the state provides funds to education in the last 50 years: the Education Finance Act of 1977, the Education Improvement Act of 1984, the Education Accountability Act of 1998, homeowner property tax relief in 1994, and expanded homeowner property tax relief from Act 388 in 2006. Budget problems at the state level have periodically reduced state aid to schools while millage restrictions and assessment caps have made it difficult for school districts to pick up the shortfall with their primary local revenue source, the property tax.

There is also pressure from Columbia to consolidate school districts, although even the smallest districts in South Carolina are not small compared to those in many other states. South Carolina has 85 school districts. Twenty-nine counties have a single school district, including the very large single-county districts of Greenville, Charleston and Horry counties. The other 17 counties have two to seven districts each. National research suggests that a cost-efficient operating scale is reached somewhere in the range of 1,600 to 3,000 students. All of Anderson County's five districts are within or above that range.

Higher per pupil costs associated with smaller districts are primarily a function of population density. Districts Three and Four are both well below the state's average of 23.1 students per square mile in 2008-09. Rural school districts tend to have smaller schools and smaller classes because fewer, larger schools would lengthen the time children spend on buses and the number of miles driven. Transportation costs are high in small, rural districts, which pick up fewer, more scattered groups of students. Consolidation would not change this problem. School and/or district consolidation would adversely affect student performance, which declines with longer bus trips. Furthermore, national research suggests that most cost savings from consolidating districts are achieved at fairly modest size levels, while larger districts (and larger schools) often produce less satisfactory results in terms of student performance, especially among minority students and students from low-income households. So while we do carefully consider options for consolidation and/or redistricting in this paper, we looked at other possibilities as well.

There have also been new opportunities that have arisen to improve quality and/or reduce costs. Education delivery has changed dramatically in 50 years, with computers, smart classrooms, on-line classes, distance education, and other innovations. There has been insightful research into what works as well as practical experience in innovative ways to share services in

other states that might offer some good choices for Anderson County's school districts. Seeking a balance between the benefits and drawbacks of larger districts has led many states to create structures that centralize some services and delegate others not just to the district but often to the school level, making the principal both more empowered and more accountable. How districts can centralize and decentralize various functions and how districts can share services are two alternatives to redistricting that we explore in this paper.

Equalizing financial resources among students is often a primary purpose for consolidating school districts. A larger district will usually have a broader range of incomes and a more diverse local tax base. In some states, the increased role of the state in funding education has resulted in greater equality of educational resources per pupil, reducing the pressure to consolidate for that purpose. But as long as the local property tax continues to play a substantial role in funding education, the issue of equal access to educational resources will be a factor in any decisions about what to do with school districts. So yet another alternative to redistricting that emphasizes equal access is some form of tax base sharing across districts within the county.

How are the Five Districts Doing?

Before looking at these options, it is important to establish a baseline of how Anderson County's five school districts are doing now. We selected a group of peer counties for each of the five districts based on size (student enrollment) and resources (assessed value per pupil and county personal income). We then compared Districts One through Five—not to each other or a shared group of peers—but to districts that were similar in size and resources. We compared various measures of effort such as mill rates and operating and instructional expenditures per pupil. Data used are for fiscal year 2006-07. Mill rates include levies for the Career and Technology Center in Districts One and Two and for county equalization in all five districts. We also compared student performance measures: PACT scores, SAT scores, and graduation rates.

District One was below the average of its seven peer districts in operating millage and right at the average in debt millage in 2006-07. District One had the lowest per pupil operating expenditures of the eight districts, more than \$1,000 below the average. Yet District One also had a lower percentage of pupils scoring below basic on the PACT test in math and English than any of its peers. District One students also scored above the peer group average on all three parts of the SAT, and had a high school graduation rate that was the highest of the eight.

District Two was above the average of its peer districts in both operating millage and debt millage, but with a weak tax base, it had the lowest per pupil expenditure in its group, \$854 below the average. District Two was much closer to the average in instructional spending per

pupil. However, like District One, District Two turned in a good performance. District Two had a lower percent below basic in both math and English and exceeded the peer group average on all three parts of the SAT. Its high school graduation rate was right at the peer district average.

District Three had the second lowest operating millage of its group of nine peer districts—the lowest when debt service is included. District Three ranked in the bottom half of the distribution in operating expenditures per pupil, \$765 below the average, and third from last in instructional expenditures per pupil. The district was about average among peers in percent below basic on the PACT test in math and English. District Three students scored above the peer group average on the reading and math parts of the SAT, but slightly below average in writing. Its graduation rate was near the nine district average.

District Four, with a very strong tax base per pupil had below-average operating millage compared to its peers, although combined operating and debt millage was close to average. District Four was also very close to its peers in operating and instructional spending per pupil. The district had a strong performance record on PACT tests compared to peer districts and ranked third among these eight districts in SAT reading and math scores and fourth in writing scores. The district's graduation rate of close to 77 percent was above the average.

District Five was above the average of its peers in operating millage, and ranked fourth among the ten districts in operating spending per pupil and third in instructional spending per pupil. District Five's percentage of students below basic on both PACT test was similar to its peers but not as good as three of the other four Anderson county districts. SAT scores on all three parts were above the average of the peers, while the district's high school graduation rate of 70.6 percent was below the peer group average.

Overall, Anderson's five districts compared favorably with their peers on outcomes. As expected, those Anderson County districts with weaker tax bases levied higher millage than their peers. Operating and instructional spending per pupil was close to that of peer districts in Districts Four and Five, below average for Districts One, Two, and Three.

The Pros and Cons of School District Consolidation/Redistricting

Consolidation in this paper refers only to consolidation of school districts, not schools, which is an entirely separate issue. We also use the term redistricting, which means redrawing district lines that may result in more, fewer, or the same number of districts as before but with more nearly equal resources and student populations. Advocates of school district consolidation argue that it will generate economies of scale with lower cost per student by spreading the administrative overhead and the cost of specialized personnel over a larger number of students.

While these economies are real, they are largely achieved at student populations in or below the range of sizes of the current Anderson County school districts.

It is easier to equalize resources and educational opportunities within a district where there is a shared tax base and the same state aid per pupil. A few multi-district counties in South Carolina have tried to equalize financial resources between districts, but state law and funding formulas make it difficult. For Anderson County, one of only four counties in the state with a coordinating entity for school districts, the County Board of Education's power to levy countywide millage does offer some non-consolidation options for equalization.

A larger school district can also reach a critical mass for the efficient use of specialized services. For students, these include special education, vocational education, advanced placement programs, gifted and talented programs, specialized classes, summer and remedial programs, and/or larger and more diverse media centers. For teachers and administrators, critical mass might include human resources, payroll, building maintenance, and professional development.

Changes in technology and innovative ways of providing such services have developed methods of sharing services across districts that were not an option until quite recently. So while all three of these issues—economies of scale, equal access to resources, and critical mass for specialized programs and services—are important, they do not necessarily point to consolidation or redistricting as the only option, merely one among several to be considered.

The arguments against school district consolidation/redistricting are based primarily on the community-building role of schools and school districts, and the value of local ownership and control as a way of engaging the community to support the schools and the students. Whether it is athletic competition, academic success, or just having a place for public meetings and where neighbors encounter each other, the identification with neighborhood schools extends to neighborhood districts. One's voice is more likely to be heard in a smaller district. A large district, headquartered at some distance, is more likely to be unresponsive.

There are also diseconomies of scale in very large districts, although even a single countywide district in Anderson County would not be large enough to encounter those higher average costs. There is also some evidence that consolidation adversely affects low-income and minority students, although that effect seems to be more related to school size than district size. Finally, there is the upheaval of change. Change may be worth the cost if it is the only feasible alternative, but increasingly other states focus on consolidating rural schools and very small districts and turn to other methods for providing cost-efficiency, specialized programs, and equalization.

If Anderson County does choose to pursue school district consolidation/redistricting, it is in a more favorable situation than most other counties because of the powers vested in the County Board of Education. The County Board is authorized to call for a popular referendum for that

purpose. In most other counties in South Carolina, the power to redraw district lines still rests with the county's legislative delegation.

Consolidation/Redistricting Options for Anderson County School Districts

A number of consolidation/redistricting options were explored, using Geographic Information Systems (GIS) technology to draw new school district lines based on tax and population data. Criteria included respecting attendance lines and equalizing size and taxable resources to the extent possible. We explored the option of keeping five districts but redrawing the lines to make them more nearly equal in size and resources, but it turned out to be infeasible due to county geography and development patterns.

Of the many school district consolidation/redistricting options presented to the County Board of Education, three were chosen for further development. The first option consolidated all five districts to create a single countywide district. The second option combined District One with the T.L. Hanna High School half of District Five into a new northeastern district, and joined Districts Two, Three, Four, and the Westside High School half of District Five into a new southwestern district. The third consolidation option considered combined Districts One and Four (Townville area excluded) into a new northern district. District Two joined with the T.L. Hanna High School half of District Five to create a new eastern district, and District Three joined with the Westside High School portion of District Five and the Townville portion of District Four to create a new western district.

A single county Anderson district would have no satisfactory peers. It would be one of the largest districts in the state, but much smaller than the larger districts and much larger than those immediately below it in size. Among its seven peers, six of them smaller, Anderson would have the lowest assessed value per pupil, and would be somewhat below average in operating and instructional spending per pupil.

The new two district option splits the county into a northeastern district and a southwestern district. These two new districts are very close in student population—about 15,000 pupils in 2008-09. The new three district option has more variation in student population in each district than in the two district option: 8,900 to almost 11,400 in 2008-09. Assessed value per pupil among both these new sets of districts is estimated to be somewhat lower than peer district averages, with the exception of the new southwestern district in the three district model.

All of these consolidation/redistricting options would face implementation challenges, including assigning responsibility for existing debt service, ownership transfer of physical assets, and expanding or augmenting existing career campuses to accommodate higher demand.

Alternatives to Consolidation/Redistricting

Redrawing school district lines is only one option for Anderson County. There are other strategies for equalizing resources and improving opportunities for students that can be explored. In this paper, we consider three: re-mixing the pattern of centralization and decentralization of decision-making authority, tax base sharing, and service sharing. A fourth option that always must be considered is to do nothing, *i.e.*, to stick with the status quo.

Centralization and decentralization

In deciding the level at which particular functions are to be performed, an important consideration for any service providing organization is striking the right balance between economies of scale and quality of service. Quality of service means adapting to the specific needs and desires of the local market and being responsive to customers at that level. Management guru William Ouchi recommends neither more centralization nor decentralization for school systems, but rather an intermediate form which he calls an M-shaped organization.

In Ouchi's model, many functions that are not related to the quality of educational service can be centralized, while those that need to respond to the particular community and the particular service need to be left more to the discretion of the school principal and the district superintendent. Food service, for example, can benefit from some centralization in purchasing and in personnel management, but the district and even the schools need some discretion in purchasing from local farmers and adapting the menu to the needs of their students' tastes and ethnic backgrounds. Ouchi argues that instructional services are similar in lending themselves to a mix of centralization and decentralization that reflects the need for a common curriculum and the value of tailoring the mix to the particular school community.

Ouchi's ideas are worth exploring for the many kinds of services that are offered by Anderson County schools, school districts, and the County Board of Education. The next two options incorporate some elements of his thinking on the appropriate locus of decision making for taxes and for various services.

Tax base sharing

A non-consolidation option that focuses primarily on equalizing financial resources is tax base sharing. Although there are legal obstacles to sharing tax revenue in most multi-district counties, the county's legislative delegation can and does approve a countywide levy for tax equalization purposes. Currently the countywide levy is 14.7 mills. The revenue is distributed back to the districts on a per pupil basis. The legislative delegation also approves the County Board of Education's tax levy, which is used for board operations and to provide selected services to school districts.

Either levy could be expanded to provide more nearly equal local resources per pupil throughout the county. Raising countywide millage might require lowering millage in the districts because of millage caps under Act 388, but that issue should not be too difficult to address. Countywide millage could be used to pay for certain categories of district services or to centralize certain kinds of services so that all districts have equal access to those services (e.g., payroll, professional development, building maintenance, purchasing).

Service sharing

The primary goal of service sharing is to provide specialized services that are costly for small districts at a lower cost by serving multiple districts. The simplest arrangement is sharing across districts, perhaps combining vocational education for two or three districts or offering an advance placement class through distance education. This kind of arrangement is most common with instructional services. A second possibility is to centralize the provision of certain services at the county level. The county board of education is one resource that could be used for that purpose, although there are other options. The third possibility is to create a new service-providing entity or to contract with a private provider or with a county or municipality to offer those services. South Carolina examples of the third option include a joint high school-community library in Ware Shoals and a gymnasium at Clemson Elementary School financed jointly by the school district and the city of Clemson. Sharing facilities saves costs for the school district and the outside users, often a municipality.

There is much to learn from the experience of other states in using some of these options, especially in using third party providers created for that purpose. In Texas, for example, shared noninstructional service options include business services for most districts, such as accounting, purchasing, invoice processing, preparing financial reports, investing funds, board reporting, payroll processing, benefits reporting, and budgeting. Schools and school districts in Texas have the option of providing their own services, having business services provided by a regional education service center or on a multiregional basis, using shared personnel, or outsourcing to the private sector. A separate entity such as New York State's Boards of Cooperative Educational Services (BOCES) can offer both instructional and non-instructional services, depending on the needs of participating districts. The most common arrangement is for a BOCES to offer an array of services and let districts decide what to purchase. Similar arrangements exist in a number of other states.

In general, shared instructional services are provided either by interdistrict cooperation or by contract with a specialized entity or other educational institution. These shared services are most likely to include special education, vocational education, and courses with limited enrollment (such as advanced placement). Instructional services are a particularly promising

candidate for service sharing because small districts may lack the resources to offer a wide range of advanced or vocational courses.

The status quo option

Doing nothing is always an option. It is not a particularly attractive option for Anderson County's five school districts because the current pattern of very uneven growth in population and tax base is expected to continue into the future. If the county chooses to leave things as they are, the children of Anderson County will have very different educational opportunities, depending on the school district in which their families live. The status quo option does not meet the mandate given to the research team by the County Board of Education to explore ways to equalize educational opportunities for the county's public school students.






Conclusion

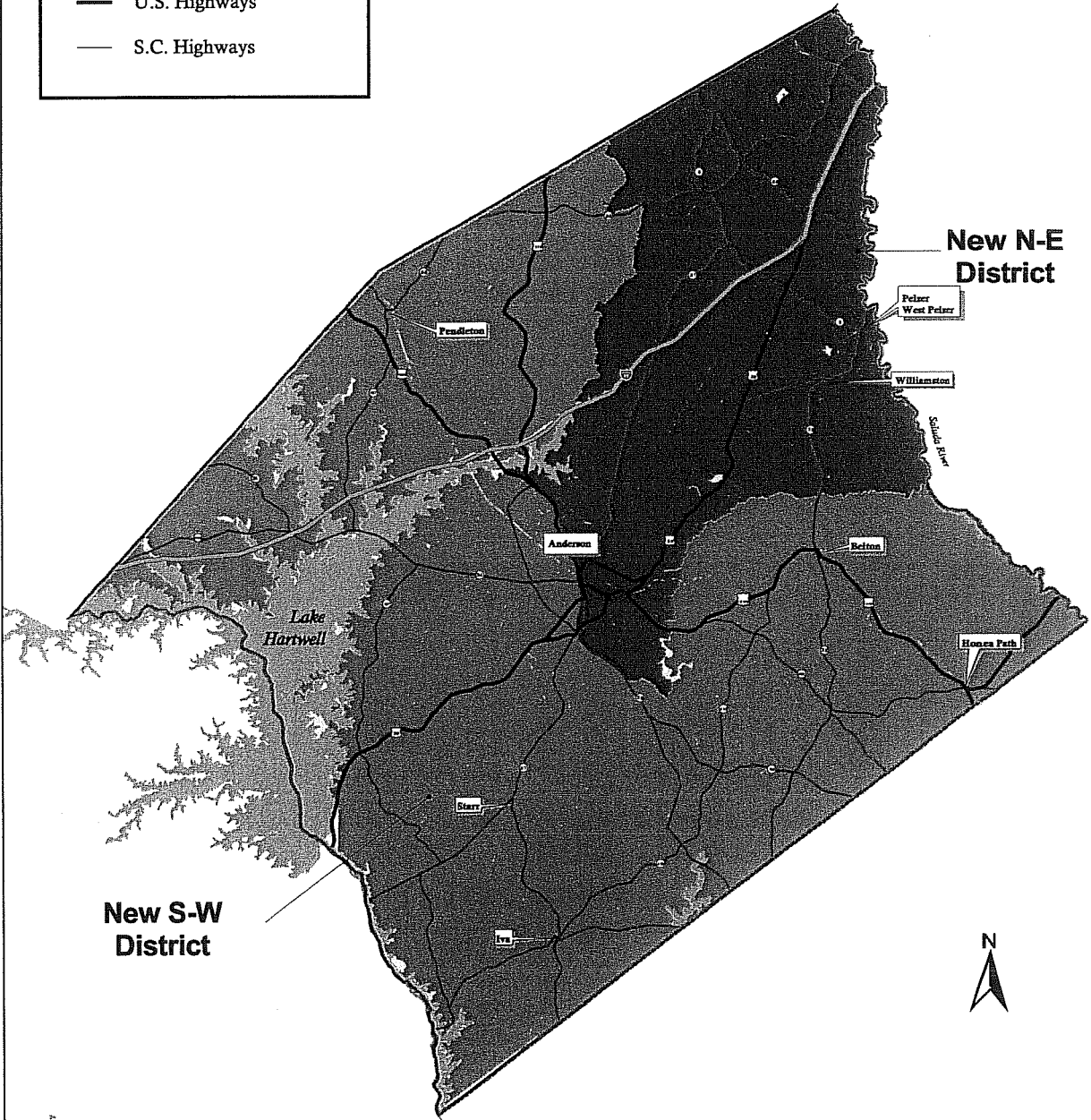
Anderson County schools are not in crisis, but in these difficult financial times it is important to explore every option for providing a high quality of service for the lowest possible cost. Challenges at all levels also represent an opportunity to rethink the way the school districts are organized and operated.

School district consolidation/redistricting is certainly a viable option; a three district model offers the best fit for Anderson County in terms of more nearly equal student population, assessed value per pupil, and growth potential in order to achieve a more uniform allocation of resources among districts. If that option were chosen, consideration should be given to revisiting district lines after every decennial census, starting in 2020, so that disparities among districts do not grow the extent that they have in the past 50+ years.

Reviewing centralization and decentralization of decision making can help balance concerns about larger-sized districts with community responsiveness and accountability. Expanded tax base sharing can provide more equalization without consolidation. Service sharing among districts, through the County Board of Education, or with other entities such as higher education institutions and municipalities is also well worth exploring. All four options, individually or in combination, would move Anderson County toward equal access, now and in the future, to a high quality education for all of its students in all of its districts.

Anderson County School Districts Two District Option

-  New North-East District
-  New South-West District
-  Interstate Highways
-  U.S. Highways
-  S.C. Highways



New S-W District







New N-E District

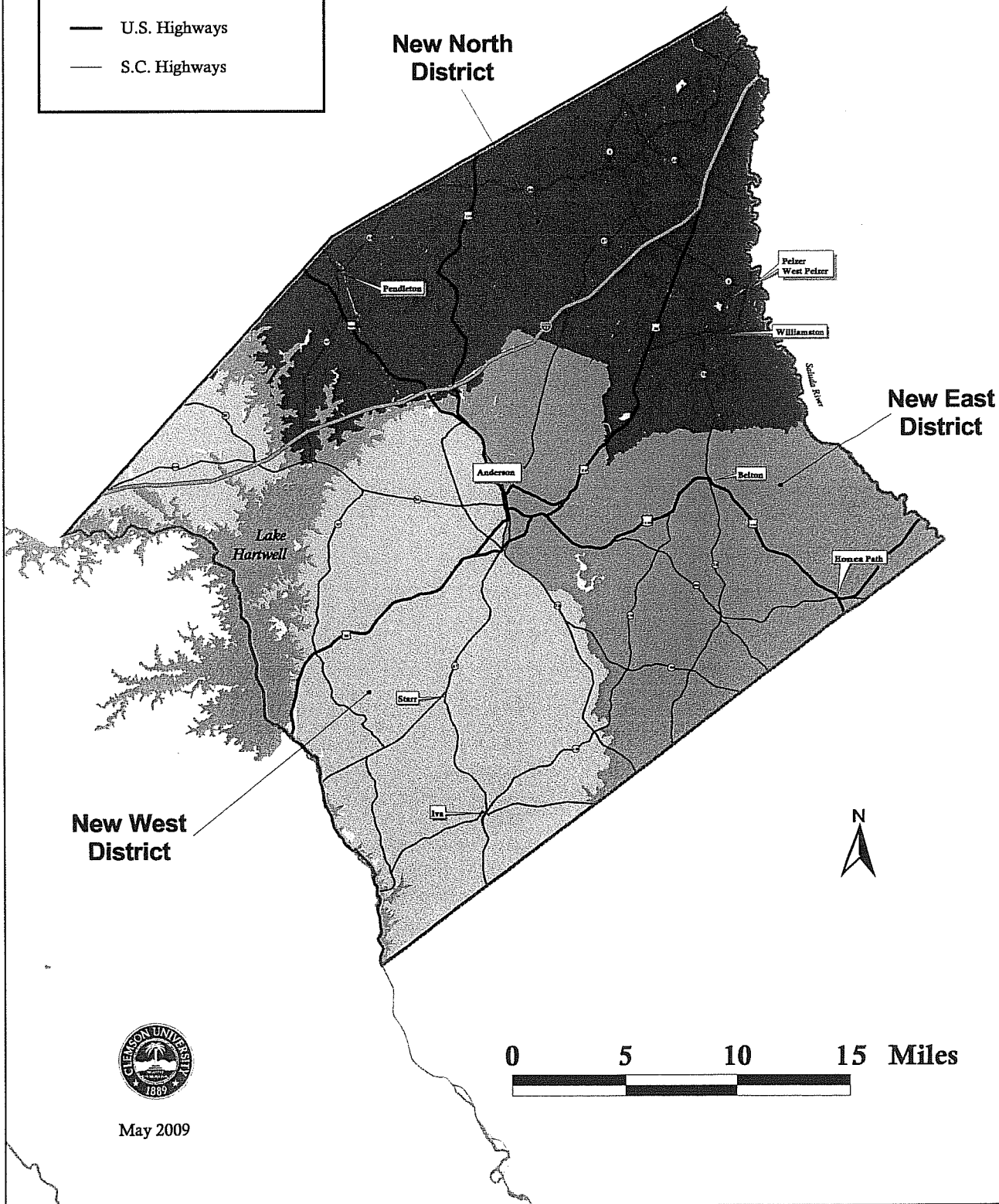


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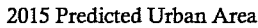



Anderson County School Districts Three District Option

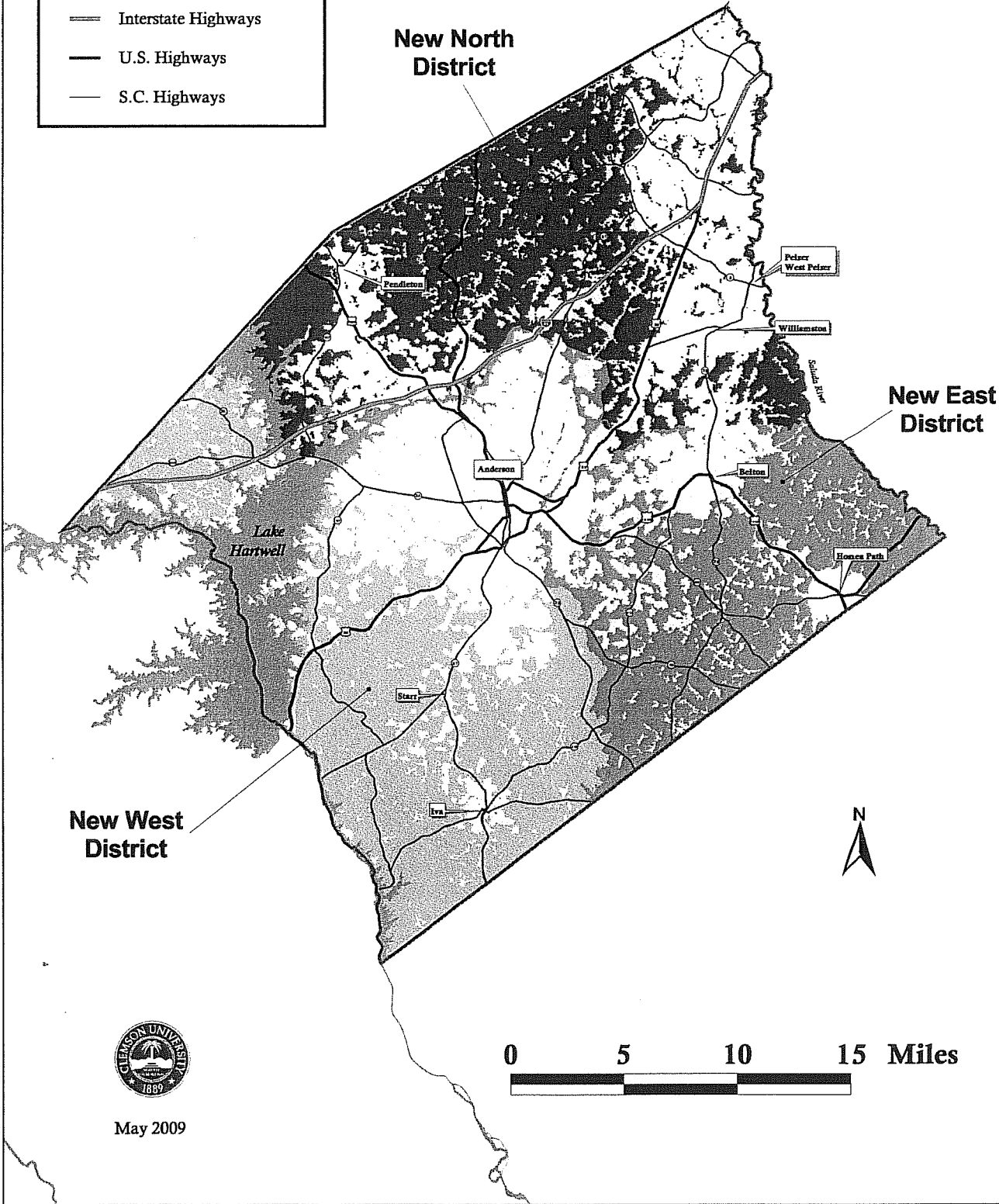
-  New West District
-  New North District
-  New East District
-  Interstate Highways
-  U.S. Highways
-  S.C. Highways



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Anderson County School Districts Three District Option and Predicted Urban Growth (2015)

-  New West District
-  New North District
-  New East District
-  2015 Predicted Urban Area
-  Interstate Highways
-  U.S. Highways
-  S.C. Highways



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