

Your Question:

You asked for examples of state incentives for school system consolidation.

Our Response:

Due to recent enrollment declines resulting from the COVID-19 pandemic and changes in state demographics, states and communities are looking to maximize school districts' administrative and financial efficiency. One strategy some states are considering is school and/or district consolidation. Below we provide examples of state approaches to consolidation and additional resources that may be relevant.

State Policy Examples

Financial incentives are one tool states use to encourage school system consolidation. ECS' 50-State Comparison on School Construction [Funding](#) has a [data point](#) related to financial incentives for consolidation. Our research identified multiple states that provide financial incentives for consolidation.

- Hold harmless (6 states – AK, ND, PA, UT, VT, WY)
 - **Alaska:** Consolidated districts are allowed to use the last fiscal year before consolidation as the base year to offset a decrease in state basic need funding for the first four years, per legislative formula.
 - **North Dakota:** The weighting factors assigned to any school district that reorganizes must be equivalent to that which each separate school district would have received had they not reorganized.
 - **Pennsylvania:** If two or more school districts combine and at least one of the districts was previously eligible for small district assistance payments from the state, the new district will continue to receive such assistance for the first five years.
 - **Utah:** Districts that consolidate continue to receive state funding for five years as though no consolidation occurred. Districts may also be awarded additional weighted pupil units for two years.
 - **Vermont:** Schools that previously received small school support, who would otherwise not receive it upon consolidating, will continue to receive small school support for the next three years in diminishing amounts. Additionally, consolidating school buildings receives 50% of approved construction costs from the state.
 - **Wyoming:** The state will adjust the new district's state foundation entitlement to compensate for the difference in fiscal resources the two previous school districts generated. The adjustment will equal 100% of the initial difference in the first two fiscal years, decreasing to 50% of the difference for the third fiscal year and 25% of the difference for the fourth fiscal year. Additionally, the adjustment will provide for the reimbursement of expenses incurred by the school districts involved in the new organization, up to \$100,000 annually for three fiscal years.
- State funding priority for construction (5 states – GA, ME, NC, NY, OH)

- **Georgia:** In the case of two schools consolidating, if the number of students exceeds state minimum classroom sq. ft. size requirements, all local school systems involved in the consolidation are not required to finance any portion of the costs of new construction or renovation of existing facilities to effectuate the merger. Instead, the state will cover these costs.
- **Maine:** The Fund for the Efficient Delivery of Educational Services awards grants on a competitive basis to school administrative units to assist in financing the cost of local and regional initiatives for more efficient delivery of educational programs. School consolidation is one of the acceptable uses for funds.
- **North Carolina:** The state prioritizes consolidation projects in awarding Needs-Based Public School Capital Funds.
- **New York:** Both reorganization incentive operating aid and reorganization incentive building aid is available to school districts that consolidate. The operation aid is only available for the first five years of operation in the reorganized district.
- **Ohio:** The building commission gives first priority to projects with the merger or consolidation of two or more school districts for classroom facility assistance programs.
- Additional appropriations (6 states – ID, NH, NY, OK, RI, TN)
 - **Idaho:** Consolidating districts receive additional assistance under the Bond equalization program to help pay off interest on newly issued bonds.
 - **New Hampshire:** The state provides additional aid for cooperative school districts, which are districts composed of two or more school districts. The amount of funds is based on enrollment and grade. The state provides \$45 per elementary school student, \$60 per junior high school student, and \$75 per high school student.
 - **New York:** Both reorganization incentive operating aid and reorganization incentive building aid is available to school districts that consolidate. The operation aid is only available for the first five years of operation in the reorganized district.
 - **Oklahoma:** The state established the school consolidation assistance fund to provide consolidating districts with one-year allocations for textbooks, staff, furnishing and equipment and transportation. Allocations are determined by multiplying the combined enrollment by \$2,500. Payments capped at \$500,000.
 - **Rhode Island:** The state provides increased school housing aid for maintenance of buildings as well as construction.
 - **Tennessee:** To offset consolidation costs, the state provides a 5% funding bonus to the combined system for the first five years.
- Funding weight (2 states – AR, UT)
 - **Arkansas:** School districts that contain isolated schools receive special needs funding if they were consolidated or annexed. These school districts will receive 20% of the per-student foundation funding amount multiplied by the three-year three-quarter average daily membership for the school

district. In addition, the state enacted a Consolidation incentive which is allocated to the receiving district that has consolidated. The initial appropriation for FY 2023 was \$5.9 million.

- **Utah:** Districts that consolidate continue to receive state funding for five years as though no consolidation occurred. Districts may also be awarded additional weighted pupil units for two years.
- Lower of consolidating districts ability-to-pay measure (2 states – KS, VA)
 - **Kansas:** The higher of the two consolidating districts' state aid percentage will be the newly formed districts' percentage for its first three years
 - **Virginia:** The lower of the two consolidating school districts ability-to-pay measure is used for five years after the consolidation. This measure is used to determine state K-12 aid.
- Different local revenue limits (AZ)
 - **Arizona:** A newly consolidated school district may increase the revenue control limit to cover the amount of any transitional costs that are directly associated with the consolidation.