

Consolidation vs. Diseconomy of Scale

Diseconomies of scale exist when the cost of educating a child increases as enrollment decreases. There are certain class and district sizes considered economically efficient. In Texas, the optimal elementary class size has been determined to be 22 students per classroom and the optimal district enrollment size, with respect to economy of scale, has been set at 5,000 total students enrolled¹. When numbers of students fall below these levels, diseconomies of scale exist and funding levels must be adjusted. This is the purpose of the current small and mid-sized district adjustments.

In recognition, these diseconomies exist to address the following:

- The smaller the student enrollment in a district, the more expensive it becomes to meet each student's individual needs.
- Smaller numbers of students require additional funding to adjust for smaller pupil/teacher ratios.
- Smaller numbers of students require additional funding to cover the costs of administering required programs.
- Smaller numbers of students add additional costs per student for building and maintaining of facilities and providing transportation that are required to meet program demands. For example, classroom space for special education programs, bilingual programs, compensatory education programs, career & technology programs; adequate space for libraries, cafeterias, auditoriums, science, language and technology labs, etc.)
- All special programs face diseconomies of scale from less than optimal numbers of students needing those specialized services. A smaller than efficient number of students for example, also impacts the cost of required programs (e.g., speech therapy, homebound services, testing and referral services, bilingual programs) That is why it is essential for the adjustments for diseconomies of scale to be applied to all student services and educational programs.
- Our current finance system subtracts the number of full-time equivalent (FTE) students in Special Education and Career and Technology from a district's students in average daily attendance (ADA) before calculating its "regular program ADA." If, as proposed earlier, the impacts of the small and mid-sized adjustments are restricted to "regular program ADA," these districts will have zero recognition at any level of the diseconomies of scale that exist for their Special Education (possibly creating federal compliance implications, as well as educational ones) and Career and Technology students.
- As new programs are added, that new funding is needed in addition to existing funding. Simply guaranteeing a district will "break even" and not lose funding denies and makes light of the additional funds these districts need and deserve to service the costs of new programs designed to benefit students.

Finally, if the desire of the Commission and some state legislators is to once again force school district consolidation, reducing cost-based funding is an inappropriate methodology. It will basically result in the state shortchanging the very children that it seeks to support, simply because of the zip code of the parents. The discussion of consolidation is illogical when one considers the legislature's continued support and maintenance of Charter Schools which are essentially small and mid-sized schools allowed to exist within the boundaries of an existing, larger school district.

Texas is a large state. One size does not fit all when viewing public education as a whole. Forced consolidation has never proven to be the only or best solution to problems facing our state.

¹ The current adjustments are based on research done in Texas by Texans, as opposed to some out-of-state "expert". The work maybe somewhat dated but the research is sound and can be replicated for future update.