



## From Out Here: Examining Efficiency in our Public Schools

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For several years now, the Center for Rural Policy and Development has been an advocate of small rural schools. And why not? Rural schools work, and they work well. In fact, on most measures of success such as graduation rates, parental involvement and achievement test scores, small rural schools consistently confirm their value.

However, others argue that due to their small enrollments, many rural school districts simply cannot achieve the necessary critical mass and subsequent economies of scale to reach fiscal efficiency; that the most rational solution to this dilemma is for small school districts to consolidate with neighboring districts, thereby increasing their critical mass and helping to achieve greater economies of scale. Some proposals even suggest that school districts should be countywide, reducing their numbers from well over 300 to 87.

In fact, data from the Minnesota Department of

Children, Families and Learning (CFL) at first glance appear to support this argument. Using CLF district-level revenue data for 2001, I compared Minnesota's 50 largest school districts with its 50 smallest. Essentially, I totaled all state and local revenues received by these districts and divided by their student enrollment to produce a "per student" cost of education. What I found was that revenues (and presumably costs) for the 50 largest districts averaged \$6,869 per student, while the average for the 50 smallest districts was \$7,146, suggesting that small schools cost 4 percent more per student on average than the large schools. Conclusion: large districts spend less per student and are in fact, more fiscally efficient than small districts.

However, while I was at the CFL website, I decided to more closely examine what is known as the "Completion Studies." This is a tracking of students in each school district who entered the ninth grade in the 1997-98 school year and would have been expected to graduate as part of the

Class of 2001. And it was here that I found information that helped me rethink the definition of the term "efficiency."

As we all know, every student who entered the ninth grade in 1997 did not necessarily graduate as part of the Class of 2001. Of those students tracked, it was found that while the majority did graduate, some were still in school attempting to complete their high school education, and of course, some others dropped out. Of those students tracked among the 50 largest school districts, 80.5 percent graduated as part of the Class of 2001. While no district among the largest 50 graduated 100 percent of their students, Edina (98.9%), Wayzata (98.7%) and Cambridge-Isanti (96.4%) came the closest. However, of the students tracked from the 50 smallest districts, 95.8 percent graduated as part of the Class of 2001. Furthermore, an outstanding 44 percent (22 out of 50) of the 50 smallest districts graduated 100 percent of their students.

I then began to wonder: since we are now firmly in the age of educational accountability, are there other measures of efficiency besides fiscal efficiency? How about educational efficiency? Is it fair to ask not only how much districts spend per student, but also how much it spends per graduate? After all, isn't graduation the best school accountability measure? To do this I took the average per-student cost figures previously cited and multiplied them by the number of students who should have graduated in 2001. I then divided that by the number of students who actually graduated in 2001. Using this method, if a given district graduated 100 percent of its students, their cost per graduate would equal their cost per

student. Consequently, the lower the graduation rate for a district, the higher its cost per graduate, as the cost of educating those students who did not graduate are spread across those students that did graduate. By doing this I found that the cost per graduate among the 50 largest districts averaged \$8,531, while the cost per graduate among the 50 smallest districts averaged \$7,462, 14 percent lower!

So the question I ask is what is an efficient school district? In 2001 the cost of educating a student in the state's largest districts was 4 percent lower per student than it was in the smallest districts. However, due to their lower graduation rates, the costs per graduate was actually 14 percent higher in

the largest districts than in the smallest districts. And then I was reminded of a conversation I had with my father many years ago, when upon graduating college it was time for me to buy my first suit. In a nutshell he said there would be many different suits on the rack with many different prices. "Don't just look at the price, but rather look at the value," he said. "It's often preferable to pay a little bit more if the value is there."

It was a good way to evaluate suits, and lots of other things.

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