Potential Cost Savings from School District Consolidation:  
A Case Study of New York

Abstract - This article presents the results of a detailed study of potential cost savings from consolidation of New York school districts. It extends past research on consolidation by developing a theoretical framework which distinguishes several dimensions of economies of scale and defines an empirical cost function for schooling. The results indicate potentially sizeable cost savings from consolidation of districts with fewer than 500 pupils. Using such districts as candidates for consolidation, the study examines in detail the implications of merging these districts with one of their neighbors and finds relatively few districts strong candidates for full consolidation in New York, although some may benefit from sharing of administrative and support functions. The estimated cost model also sheds light on potential diseconomies associated with large city school districts. While findings apply directly to New York, the method developed here has general relevance to state education policy by helping to target candidate school districts for consolidation, and, where consolidation is not feasible, adjusting state aid formulae to reflect more accurately the cost impacts of scale.