

1988

A Model for Small Illinois School Districts in Response to Financial Crisis

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A Model for Small Illinois School Districts

in Response to Financial Crisis

(TITLE)

BY

Michael A. Weaver

Field Study

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SUBMITTED IN PARTIAL FULFILLMENT OF THE REQUIREMENTS
FOR THE DEGREE OF

Specialist in Education

IN THE GRADUATE SCHOOL, EASTERN ILLINOIS UNIVERSITY
CHARLESTON, ILLINOIS

1988

YEAR

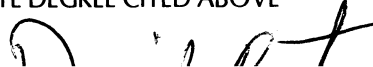
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**A Model for Small Illinois School Districts in
Response to Financial Crisis
Michael A. Weaver
Eastern Illinois University**

Abstract

This study describes the options available to small, rural Illinois school districts that face financial crises. The implications for a particular school relative to consolidation, annexation, cooperative high schools, tuitioning out, and tax referenda are described. Survey results relative to school effectiveness, the financial future, and school loyalty are reported and analyzed. The study concludes with a recommendation which appears most appropriate to solve the financial problems of the Findlay Community Unit School District #2.

Table of Contents

Chapter 1-Overview of the Problem

Introduction.....	p. 4
The Problem.....	p. 5
Delimitations.....	p. 11
Definitions.....	p. 11

Chapter 2-Rationale, Related Literature, and Research

Rationale.....	p. 13
Review of the Research and Literature.....	p. 15
Uniqueness of Study.....	p. 23

Chapter 3-Design of the Study

Design.....	p. 24
Sample and Population.....	p. 24
Data Collection and Instrumentation.....	p. 25
Data Analysis.....	p. 25

Chapter 4-Results

Survey Results.....	p. 26
Reorganization Results.....	p. 30

Chapter 5-Summary, Findings, Conclusions, and Recommendations

Summary.....	p. 32
Conclusions.....	p. 43
Recommendations.....	p. 44
References.....	p. 45
Appendix.....	p. 51

Chapter I

Overview of the Problem

Introduction

Many Illinois school districts are experiencing financial problems. The reasons for this difficulty include reduced funding at the state level, declines in assessed value of property - especially farmland, and decreases in school enrollment. These problems are especially acute in rural districts with enrollments less than five hundred. Boards of education in these districts are being forced to seek solutions to alleviate the problems that decreased revenues cause.

Many of the small districts in the six-county area of central Illinois surrounding Findlay are borrowing money in their education and building funds. Of the 34 schools in the region, 19 are currently issuing tax anticipation warrants to finance the school term currently in session. The issuance of tax anticipation warrants is not a permanent solution. State law limits the debt that results from anticipation. Specifically, a district can anticipate 85% of its tax levy in any fund three years in advance. After that limit is reached, the district may face serious consequences ranging from forced consolidation to continuing to operate but with outsiders controlling the schools.

The most obvious solution to the problem of declining revenue is to increase revenue. An increase in revenue could be in the form of increased state aid or increased local property taxes.

Under the present political climate in Springfield, a significant increase in state aid is unlikely to occur. Organizations like the Illinois Farm Bureau, the

Illinois Education Association, and the Illinois Association of School Boards actively sought enactment of an increase in the state income tax earmarked for education in 1988. The proposal was never brought to a vote in either the Senate or the House. Without added state funds, some of the smaller districts will reach debt limits this year or next - even if an increase was enacted for the 1989-90 school term.

Increasing local revenue may not be the answer either. About one-half of the referenda seeking increases in the local property tax for education have been defeated. Farmland owners are especially vocal in their opposition to increased property taxes. They are often successful at expressing their opposition at the polls.

Decreasing expenditures is the second most obvious response to deficit financing. However, many small districts cannot significantly decrease staff and achieve the resulting savings and also maintain a quality educational program. The reductions in expenditures required to balance the budget would often result in the failure of the school to meet the minimum requirements imposed by the State Board of Education. The requirement for a 40-course offering at the high school level could not be maintained in many small high schools in financially troubled districts.

School districts, especially smaller ones, may have to seek solutions other than increasing revenue or decreasing expenditures. One such solution, which this paper examines, is the reorganization of the district.

The Problem

Findlay Community Unit School District #2 is a rural district located 30 miles

southeast of Decatur, Illinois. The area of the district is 81 square miles. The enrollment in K-12 as of November 4, 1987 was 297. There are 21.6 full-time teachers, three administrators, and twelve non-certified personnel. The assessed valuation is \$17,250,000. Tax rates in the education fund and building fund are \$2.15 and \$0.525 per \$100 of assessed valuation respectively. The bonded indebtedness is \$1,100,575 as of January 1, 1987. The bonds are due to be paid off in 1995 via a \$0.9115 tax per \$100 of assessed valuation. The total school tax rate is \$3.9606 per \$100 of assessed valuation as of November, 1987.

Findlay could become financially insolvent about August, 1989. The total deficit in the education and building funds on June 30, 1988 will be approximately \$230,000. The debt has occurred largely because of declining revenues. Expenditures during the 1982-83 school year totaled \$832,000. Expenditures during the 1987-88 school year totaled \$977,000. This is an increase of only about 17% over a six year period. Table I below gives the expenditures in the education, building, and transportation funds for the past six school terms.

Table I
Findlay CUSD #2 Education, Building,
and Transportation Expenditures

	Education	Building	Transportation
1982-83	\$664,000	\$100,000	\$68,000
1983-84	\$657,000	\$116,000	\$55,000
1984-85	\$644,000	\$118,000	\$52,000
1985-86	\$700,000	\$111,000	\$76,000
1986-87	\$766,000	\$105,000	\$47,000
1987-88	\$808,000	\$89,000	\$78,000

The major reason revenue has declined in Findlay is the decline in farmland value. The district has experienced a \$2.4 million drop in assessed valuation over the past five years. Table II shows the assessed valuation for the past six school terms.

Table II

Findlay CUSD #2	Assessed Valuation
School Term	Millions of Assessment
1982-83	19.5
1983-84	17.9
1984-85	18.9
1985-86	17.3
1986-87	17.1
1987-88	17.1

The decline in assessed valuation has resulted in a 23% reduction in the amount of local tax money received by the district in the education, building, and transportation funds over the past five years. Local taxes collected in the education fund were \$473,000 five years ago. Last year the total tax collected in the education fund was \$365,500, a decline of \$107,500 in the last five years.

There is little evidence that the decline in the value of farmland is over. Dwight Campbell, county clerk of Shelby County, in Illinois, indicated, on March 9, 1988, that the 1988 assessed valuation in Findlay CUSD #2 would be about \$400,000 lower than in 1987. Farmland is to be frozen at 1987 levels of valuation. In 1989 however, farmland valuation will decline by 10%, as it has several times in the recent past.

Inadequate general state aid has also been a factor contributing to the financial problem confronting Findlay. Table III below shows the state aid received by the district over the past six school terms.

Table III

State Aid Received by Findlay

School Term	State Aid in Thousands
1982-83	87
1983-84	82
1984-85	86
1985-86	110
1886-87	190
1987-88	140

As shown in Table III above, the district received \$190,000 in state aid during the 1986-87 school year. In 1987-88, the district received \$140,000. This \$50,000 loss from one year to the next was particularly painful. Coupled with the loss in local taxes, Findlay had \$140,000 less with which to operate during 1987-88 than it did during 1986-87. The district began the previous school term with a \$100,000 deficit. That debt and the loss in current revenue has resulted in a \$230,000 deficit as of June 30, 1988.

Declining enrollment has been a contributing factor to the current situation in Findlay. From 1986-87 to 1987-88, the district lost thirty-five students. Thirty-five is not a large number, but it represents a 10% drop in the total enrollment. Table IV below shows the enrollment over the past six school terms.

Table IV

Findlay CUSD #2 Enrollment	
School Term	Enrollment
1982-83	348
1983-84	338
1984-85	325
1985-86	328
1986-87	332
1987-88	297

State funding is based on assessed valuation and average daily attendance (ADA). In theory, as its assessed value goes down, a school district receives

more state aid. The assessment and enrollment have both declined in Findlay. Only by experiencing an increase in enrollment could the district hope to receive enough state aid to counter balance the drop in assessed valuation.

Findlay CUSD #2 will reach its borrowing limit in the foreseeable future. The increasing deficits in the education and building funds have resulted from an inadequate level of state funding, loss of local tax receipts, and declining enrollment. Table V gives the end of the year balances in the operating funds over the past six school terms.

Table V

End of Year Balances

	Education	Building	Transportation
1982-83	\$16,000	\$4,000	\$1,200
1983-84	\$28,000	\$2,500	\$1,400
1984-85	-\$10,000	\$1,200	\$3,000
1985-86	-\$70,000	-\$5,000	\$4,500
1986-87	-\$90,000	-\$22,000	\$6,500
1987-88	-\$180,000	-\$55,000	\$9,000

Some form of reorganization is likely to take place to resolve this problem.

This study examines the pros and cons of the several types of reorganization.

The forms of reorganization that are examined include consolidation, annexation, the forming of a cooperative high school, and tuitioning out of high school students. The probable long-term effects of the passage of a tax referendum are also examined.

Delimitations

No attempt is made to go into the details of how student services will be provided in the cases of consolidation, forming a cooperative high school, or annexation. The advantages and disadvantages of each type of reorganization are examined. The use of the telephone directory as the source of a sample for this study was an attempt to assure that the sample of the community was representative. It excluded the estimated five percent of homes without telephones.

Definitions

Consolidation. The process whereby a school district becomes part of another district. The question must be put before the voters, and it must pass in both districts. One of the districts would cease to exist. It would become part of the other district. Teachers in the consolidated district retain their tenure and seniority rights in the new district. The tax rates in the operating funds are voted on at the same time as is the question of consolidation. A new board is elected to govern the consolidated district.

Cooperative high school. Another option available to Findlay and other unit districts considering reorganization is the forming of a cooperative high school. In this form of reorganization, two or more districts may join to form one high school. The districts involved must agree to a contract to form the cooperative high school for a minimum of five years. A committee of members from all involved boards runs the high school, while each individual board continues to run its own district. The cost of the cooperative high school is borne by each district which is a part of the cooperative in proportion to the per cent of students

in the high school from that district. Each district involved in the cooperative high school must approve the forming of the high school at the polls. The teachers, if possible, for the cooperative high school must come from the separate high schools that join to form the cooperative high school and they are assigned according to need. The teachers remain tied to the salary schedule of their home district.

Annexation. The process whereby a school district joins itself with one or more contiguous districts. The original district ceases to exist.

Tax rate referendum. The process whereby voters are asked to increase their school-tax rate.

Tuitioning out. The process whereby school district A pays tuition to school district B to educate the high school students of school district A.

Insolvency. Occurs when a district has issued tax anticipation warrants in excess of what is allowed by law and still lacks operating funds.

Chapter II

Rationale, Related Literature, and Research

Rationale

School districts in financial crisis respond in varied ways. Some try to pass a tax referendum. If the tax rate referendum passes, the problem is, at least temporarily, solved. If the voters reject an increase in taxes, school boards may respond with cuts in school programs. Teacher groups and community members then contend that students suffer from lack of access to a quality educational program. School officials are then in a dilemma. The community refuses to support the school financially and at the same time demands that no reduction in services occur.

To respond to this dilemma, the board often considers consolidation or some other form of reorganization. The basis for such consideration is that services can then continue to be provided with little or no increase in tax rates. Local control of the school system is sacrificed in order to provide quality programs. Supporters of reorganization may point out that the skills possessed by the graduates of smaller high schools are inferior to those possessed by graduates of larger schools. Small schools, they contend, simply cannot afford to offer a broad enough range of school experiences. The only way to broaden the curriculum and the variety of extra-curricular activities is to increase school size.

Most smaller communities go to extreme lengths to prevent the loss of their schools. Educators and members of such communities often argue that smaller schools offer advantages that cannot be maintained if the district is absorbed by a larger and more efficient unit. The notion that a small town will die out more

quickly if it has no school is often presented as an argument in favor of keeping the local school. The responsiveness of school boards in smaller schools compared to the responsiveness in larger districts is also cited by those who insist on keeping the local school at any cost.

The Farm Bureau and others argue that the size of the school unit is not the issue. They contend that the way schools are financed must be changed. Property owners insist that to rely on property taxes as the main source of school funding is grossly unfair. These people say that an increase in the income tax should be enacted to fund schools.

School officials cringe at the notion of an income tax as the primary source of school funding. How would such a tax be collected and distributed? How can long range budgets be developed on the basis of an income tax which may fluctuate wildly as the economy fluctuates? Many believe that the stability of the funds generated by property taxes should not be replaced by an income tax which may vary greatly from year to year.

Such are some of the problems concerning education in Illinois. This study is an attempt to address concerns like those listed above as they apply to one particular school district and community. Does Findlay CUSD #2 offer something so valuable and that is not available elsewhere that the district should not reorganize even though reorganization would be economically beneficial? Are graduates of Findlay High School as well prepared for college, technical training, or the world of work as they might be? Is local control of resources so important that any amount of taxation is justified?

In summary, if Findlay CUSD #2 is to continue to operate, an increase in

revenue must be achieved. If an increase in the local property tax is not possible because those who are against increased taxes prevail at the polls, then the district must attempt to get the voters to pass some form of reorganization.

In either case, the public must be aware of the facts. They must understand the consequences of any decision they make at the polls. A selling job must be done prior to any decisive vote - whether that vote is for increased taxes or reorganization. This paper presents those facts. The political, economic, and educational questions that arise shall be addressed. The reader can then make a more informed decision.

Review of the Research and Literature

This section is organized in this manner. First, advantages and disadvantages of small schools are discussed. Secondly, the characteristics of large versus small schools are discussed. Thirdly, the relationship between school size and achievement is explored. Fourth, school finance relative to school size is discussed. Fifth, the political issues relative to school closings is discussed.

Advantages of small schools. Much research has been done regarding the advantages and disadvantages of small schools. Several advantages offered by small schools were described in a study of high achievement in rural schools (O'Connell and Hagens, 1985). The authors believe that the advantages are a significant cause of high achievement. The specific advantages listed by these authors are that teachers in small schools are more likely to try innovative teaching techniques, take on administrative responsibility, work in a less pressured environment, and be involved with the students and parents.

According to O'Connell and Hagens, students in small schools are more likely to be exposed to innovative teachers than students in larger schools. They suggest that teachers in small schools operate in a less-structured environment than that found in larger schools. This provides more opportunity to try out new ideas.

Teachers in small schools more readily take on administrative tasks. They tend to handle their own discipline which leads to knowing their students better. The teachers have more responsibility for equipping and maintaining their classrooms and therefore tend to take more interest in such things.

O'Connell and Hagens contend that teachers work in a less pressured environment in small schools than in large schools. This lesser amount of pressure in small schools results in teachers suffering less from stress. They waste less energy dealing with stress and their performance as teachers is enhanced. Greater student and parent involvement by small school teachers is advantageous and is probably the result of small schools having fewer students, and thus fewer parents, with which to interact. The interaction among students, parents, and teachers is of a more personal nature than in larger schools and that more personal interaction is more fruitful.

To summarize the work of O'Connell and Hagens, greater student involvement, freedom of the teacher to innovate, willingness to accept responsibility on the part of teachers, and the more relaxed atmosphere of small schools makes such schools too worthy to close.

Barker, (1986), argues that small schools, defined as schools with enrollments of 300 or less, have pioneered many educational innovations such

as non-graded classrooms, individualized instruction, cross-age groupings, peer tutoring, and an emphasis on basics. Efforts to reduce class size, use of community resources, and mainstreaming of mildly handicapped pupils also have their roots in small schools. Barker cites other advantages in the areas of personal relationships, student morale, and teacher-student interaction.

Smaller classes, according to Barker, are more conducive to improved pupil performance and provide more opportunities to meet individual student needs. Further, students in smaller classes have more interest in learning, and teacher morale is higher in smaller classes. Smaller schools can be more effective schools because they tend to be orderly, safer, are more serious, offer an attractive school climate, have a clear school mission, have higher expectations for student achievement, and have school leaders who emphasize instruction. In summary, Barker says small schools have most characteristics of effective schools, and are therefore advantageous.

Jones, (1985), says that small schools have advantages and that the decision to close small schools should begin on the local level where choice of school size can depend on parent's values in life. One argument Jones presents is relative to the drop out rate in large schools. The drop out rate is 25% or higher in large schools. Jones asks what advantage reorganization offers to the one-fourth or more students who will not graduate as a result of having to attend a larger school.

Disadvantages of Small Schools

Bruce Barker, (1986), cited five disadvantages. Teachers in small schools, says Barker, suffer from professional isolation, limited access to quality in-service

programs, must teach more subjects and grade levels, make do with fewer materials and lower salaries, and supervise more extracurricular activities than teachers in larger schools. He inferred that dissatisfaction with the shotgun approach required of small school teachers could lead to disillusionment, which would ultimately affect performance. Examination of the breadth of the curriculum in a small school versus the breadth of the course offerings and extracurricular activities offered in larger schools shows limited offerings in small schools. The conclusion of a paper presented to the Southeast Regional Association Conference of the American Educational Research Association in March of 1985 by Phillips was that larger schools offer more courses, especially at the high school level. In addition, Phillips (1985) says that more extracurricular activities are available in larger schools. Phillips further states that economic realities probably prevent broadening the curriculum and extracurricular offerings in small schools.

The Illinois State Board of Education, (1985), concluded that small schools are inferior and inefficient, that Illinois has too many schools, and that over half of its small schools should be closed. In particular, according to this study, small high schools offer inferior programs, have poorly qualified and supported staffs, and are very expensive to operate. For example, less than 20% of the students in high schools with enrollments below 300 have access to a mathematics program which includes a semester of calculus. Few of the smaller high schools offer more than one year of Biology, Chemistry, or Physics. Only about one-third of the teachers presently teaching junior high science courses in smaller schools have 18 or more semester hours of college credit in the sciences. Deficiencies in the language, computer, and vocational courses offered in smaller schools are

also mentioned. Yet, even though the curriculum in smaller schools is not what it should be according to this study, the cost per student is \$400 to \$600 higher than in schools where the high school enrollment is 500 or greater.

Characteristics of large and small schools

An older but interesting article (Nachtigal, 1982) delineated the characteristics of both small and large schools. He found eleven major differences between small and large schools. He found that interpersonal relationships in small schools tend to be of a personal nature and people feel a link between themselves whereas in large schools interpersonal relationships tend to be impersonal and people and groups are more loosely coupled. A second difference cited by Nachtigal was that teachers in small schools tend to be generalists, while teachers in large schools are specialists. Thirdly, groups within small school settings tend to be homogeneous while subgroups in large schools are more heterogeneous. A fourth difference was that administration is non-bureaucratic in small schools and more likely bureaucratic in large schools. Fifth, verbal communication is the norm in small schools while in larger schools, communication is more likely to be written. A sixth difference is that people in small schools may attach more significance to who says something than to what is said. In larger schools, the content of the message rather than the one who delivers it is of more importance. Seventh, time is measured in seasons of the year in small schools. Large schools have time clocks. Eighth, one is much more likely to encounter traditional values in small schools and liberal values in large schools than vice versa. Ninth, leaders in small schools exhibit a make-do attitude and generally act in response to the environment. Large school leaders, on the other hand, utilize rational planning in

order to control the environment. Tenth, small school personnel tend to be self-sufficient and try to solve their own problems, whereas personnel in large schools leave problem solving to the experts. Nachtigal concludes by saying that small schools tend to be poorer than large schools.

School size and achievement. The conclusions of research and literature concerning school size and achievement are contradictory. Student achievement prior to and subsequent to the closing of a high school in the Chicago area was examined in a data-based research report (Ebmeir, 1986). Ebmeir concluded that the smaller the district, the higher the achievement when socioeconomic status and per-student expenditures are controlled. Students from poorer homes had higher achievement in smaller schools even though per student expenditures were less. He suggested that what is done in the classroom has a better chance of improving achievement than does increasing the number of students in the classroom.

A conclusion of a critique of the North Carolina Department of Public Instruction's plan to mandate school mergers throughout the state (Shaw and Schaller, 1986) was that school consolidation, which increases school size, does not improve education. In the article written in response to the ISBE's 1985 plan to mandate consolidation, Jones (1985) concluded that student achievement cannot be linked to school size. Price (1986) contends that the smaller unit is superior to larger districts in terms of pupil achievement. Ebmeir, Sher and Schaller, Price, and Jones all agree that larger schools do not improve education. Other writers and researchers reached the opposite conclusion. A data based study by Simpson and Marek (1984) concludes that students in small

districts may not be as "intellectually developed" as students in large high schools. The authors determined that students from smaller schools performed significantly lower on tests of cognitive development than students from larger schools. They infer that the academic preparation of students from small high schools is a contributing factor to their lower performance rate on tests of cognitive ability.

Another measure of school effectiveness is to examine how well students from small schools do in college. In his summarization of existing research, one author (Brown, 1985) says that generally, the research shows that students who come from small high schools are more likely to drop out of college than students who came from large high schools. While he states that no clear link to the academic preparation of students from small high schools has been established as the primary cause for the higher drop out rate for such students, he suspects that academic preparation is a contributing factor.

The research by Simpson, Marek, and Brown suggests that students from smaller high schools are deprived of intellectual development and have less chance of success in college. These findings seem to contradict authors like Ebmeir, Sher, Schaller, Price, and Jones who say making schools bigger does not make them better.

Finance and small schools

The perceptions of different groups regarding the most urgent unmet needs in small schools is revealing. In a national study (Kennedy and Barker, 1986) small school superintendents and their school board presidents were asked what major need existed in their schools. Ninety-three percent of the respondents to the survey listed financial resources. It is obvious that those most in touch with administering small schools feel that their resources are lacking. Another report (Barker and

Stephens, 1985) polled small school teachers on a national basis and found that they perceived effectiveness and staff development as the major needs in small schools. Those on the firing line do not perceive the schools in which they teach as particularly effective, nor do they feel they have adequate support in terms of quality staff development programs.

A fairly recent report (Chicione and Langston, 1985) relating changes in agriculture and industry and the impact of these changes on school finance concludes that small schools can expect little increases in school moneys. These authors simulated what is likely to happen to the distribution of state aid in Illinois in 1988-89. They believe that rural districts in the southern part of the state will receive 80% of the gain in state aid that is likely to go to agricultural or heavy manufacturing areas. These areas will experience a gain because their tax base is declining. Another report (Harl, 1986) says that the rural economy is on the way back up. The value of farmland in central Illinois has bottomed out, grain prices are stable, and the number of farm foreclosures is declining. Harl cites these three reasons for believing that the agricultural economy is getting stronger again.

Political issues.

When closing small schools is considered, some argue that the school must be saved in order to keep the town from dying. One author (Swift, 1972) studied the effects of school closings on small towns in Indiana. Neither the populations nor the overall economic activity in the towns decreased significantly. Small banks sometimes suffered short-term effects because large loans to local schools were lost as a source of bank income. Local people did not perceive this loss in bank income as especially worrisome. Farm loans, it was

discovered, soon took up the slack even though such loans are not as secure as school loans.

Local control of local resources is another political issue that arises when school closing are contemplated. Kindley, (1983), found that only about one-third of the taxpayers in the average school district have any direct ties to the school. The fact that the majority of the voters do not have children in school is often cited as a reason districts have such a hard time passing tax referenda.

Summary of the research and literature

Small schools have advantages and disadvantages. School size may or may not be a critical factor affecting school effectiveness. Small schools might or might not expect their revenue from the state and local tax base to improve. Political issues like the preservation of the small town and the retention of local control are more emotional than practical. Those considering reorganization as a response to financial crisis should consider these results, and should attempt to assess the perceptions of the community with respect to these issues. Any response to a financial crisis that is meaningful must be in agreement with what the local community desires of its schools as well as with the realities of school finance.

Uniqueness of Study

There are many districts in central Illinois facing financial difficulties. This study is a significant contribution because it outlines several alternatives that are available to address this problem. The author was unable to locate other academic studies which directly address this problem.

Chapter III

Design of the Study

Design

This study examines attitudes of the community, students, and professional staff relative to questions developed by the author as a result of his review of the research and literature. This study also examines the school code in order to describe the various forms of reorganization. The advantages and disadvantages of the types of reorganization as they pertain to Findlay are presented. The survey used is Appendix A. The question of which district would be involved in a reorganization effort with Findlay is addressed.

Sample and Population

The attitudes of high school students in grades 9-12 were examined by means of a survey. All 92 students were given the opportunity to respond to the survey. Eighty-five were completed and returned for a return rate of 92%.

The attitudes of the professional staff were examined by means of a survey. Each teacher and administrator in the district was asked to fill out the survey. Twenty-four surveys were passed out, and 24 were returned for a 100% return rate.

The community of Findlay is made up of farmers and factory workers who commute to larger towns for work. There is no significant employer within the school district. The attitudes of the community were sampled by mailing a copy of the survey to every fifth name in the Findlay phone directory. If the fifth listing was not the name of an individual, that listing was passed over. No surveys were mailed to businesses, churches, or public institutions. The total number of

listings in the Findlay phone directory is 562. The number of surveys mailed was 102 and 61 were returned for a return rate of 60%. The use of alphabetical listings in the phone book attempted to assure that the sample of the community was representative. Ninety per-cent of the high school students in the district come from homes having telephones. It is assumed that the sample of the community was representative of 90% of the community. The return rate of 60% of the sample is on the lower end of the range to accept it as representative of the sample.

Data Collection and Instrumentation

The data relative to the forms of reorganization was gathered from the school code. The survey statements were designed to address political, educational, and financial issues that pertain to school closings and reorganizations.

The survey lists 18 statements. The person filling out the survey was asked to circle a number - either 1,2,3,4, or 5 - indicating his degree of agreement or disagreement relative to each of the 18 statements. One meant strongly agree, two meant agree, three meant undecided, four meant disagree, and five meant strongly disagree. The 18 items in the survey were designed to address issues identified in the review of the research and literature.

Data Analysis

The means of the responses by each of the three groups surveyed for each of the 18 statements was calculated. A t-test was used to determine whether a significant difference exists between the means of the responses of the groups. The difference in means is judged significant if the t-value indicates significance at the 0.05 level for a two-tailed test.

Chapter IV

Results

The results of the surveys are summarized below. Table A contains the student mean and teacher mean for each of the 18 survey items. The mean difference is given, the t-score is given, and whether the mean difference is significant at the 0.05 level is indicated. Item numbers refer to survey items in Appendix A.

Table A

item	student mean	teacher mean	mean difference	t value	significant at 0.05 level
1	4.1	1.8	2.3	30.72	yes
2	1.2	1.0	0.2	1.561	no
3	2.8	3.9	1.1	5.024	yes
4	4.1	3.0	1.1	4.972	yes
5	2.1	1.9	0.2	1.510	no
6	2.7	2.5	0.2	0.738	no
7	4.1	5.0	0.9	6.583	yes
8	1.9	1.2	0.7	3.940	yes
9	4.3	2.6	1.7	7.685	yes
10	1.1	2.0	0.9	8.398	yes
11	1.0	3.1	2.1	28.33	yes
12	1.0	1.9	0.9	11.62	yes
13	1.0	1.0	0.0	0.000	no
14	3.2	2.3	0.9	3.322	yes
15	3.5	4.8	1.3	9.085	yes
16	2.8	1.8	1.0	4.770	yes
17	1.4	1.0	0.4	3.492	yes
18	2.2	2.4	0.2	1.866	no

Table B is for the teachers versus the community.

Table B

item	student mean	teacher mean	mean difference	t value	significant at 0.05 level
1	1.8	2.0	0.2	1.555	no
2	1.0	2.0	1.0	1.283	no
3	3.9	3.1	0.8	3.263	yes
4	3.0	1.9	1.1	8.004	yes
5	1.9	2.4	0.5	1.472	no
6	2.5	2.0	0.5	2.758	yes
7	5.0	3.3	1.7	13.12	yes
8	1.2	2.4	1.2	6.920	yes
9	2.6	3.8	1.2	6.063	yes
10	2.0	1.0	1.0	8.674	yes
11	3.1	1.6	1.5	10.91	yes
12	1.9	2.8	0.9	3.106	yes
13	1.0	1.2	0.2	1.952	no
14	2.3	3.9	1.6	8.555	yes
15	4.8	3.8	1.0	7.145	yes
16	1.8	3.8	2.0	8.732	yes
17	1.0	2.2	1.2	6.482	yes
18	2.4	2.1	0.3	1.856	no

Table C is for the students versus the community.

Table C

item	student mean	teacher mean	mean difference	t value	significant at 0.05 level
1	4.1	2.0	2.1	37.53	yes
2	1.2	2.0	0.8	1.114	no
3	2.8	3.1	0.3	1.686	no
4	4.1	1.9	2.2	14.82	yes
5	2.1	2.4	0.3	1.366	no
6	2.7	2.0	0.7	3.711	yes
7	4.1	3.3	0.8	7.367	yes
8	1.9	2.4	0.5	3.575	yes
9	4.3	3.8	0.5	3.160	yes
10	1.1	1.0	0.1	2.261	yes
11	1.0	1.6	0.6	7.833	yes
12	1.0	2.8	1.8	11.75	yes
13	1.0	1.2	0.2	3.371	yes
14	3.2	3.9	0.7	3.603	yes
15	3.5	3.8	0.3	2.842	yes
16	2.8	3.8	1.0	5.939	yes
17	1.4	2.2	0.8	6.030	yes
18	2.2	2.1	0.1	1.843	no

A careful review of the school code relative to reorganization was conducted. Four major forms of reorganization seem relevant to Findlay CUSD #2. These are consolidation, annexation, the formation of a cooperative high school, and tuitioning out of high school students.

Two or more school districts may, with the approval of a majority of the voters in each district, consolidate their separate districts into a single district. The district whose debt necessitated the consolidation has its debt in its operating funds assumed by the state. Any bonded indebtedness of the district remains the responsibility of the district which issued the bonds.

A district may, by action of the two school boards involved, the regional superintendent, and the state superintendent, agree to be annexed by a contiguous district. Annexation does not require approval by the voters in a district. The debt is handled in the same way as if the involved districts had consolidated.

Two or more high schools may join to form a cooperative high school. The separate boards in each district remain as governing bodies. A joint committee having members from each involved board governs the high school. An agreement to form a cooperative high school must be for at least a five year period. The state offers no financial incentives to districts which form cooperative high schools.

A unit district may opt to tuition out its high school students to a nearby high school. The agreement between the boards must have a duration of at least five years. There are no incentives from the state in this form of reorganization. The only savings would come if the tuition was less than the cost of local education.

The districts contiguous with Findlay include Bethany, Moweaqua, Windsor, Sullivan, Assumption, and Shelbyville. A reorganization involving Findlay and Bethany, Windsor, or Assumption would not be feasible. Bethany, Windsor, and Assumption have debts equal to or greater than that of Findlay. Combining districts that are both financially strapped would do little to address the financial problem. In addition, the high school enrollment that would result from combining any two of these districts would be below that which would appreciably increase the number of course offerings available.

A Findlay-Moweaqua reorganization is not feasible due to the size of the resulting district. The transportation costs would be so great as to negate any savings that would result from a combination of the two districts. In addition, Moweaqua is in the midst of considering consolidation efforts with Macon, Blue Mound, and Assumption. These three towns are much closer to Moweaqua than is Findlay.

A Findlay-Sullivan reorganization is also not feasible. The increased cost of transportation is again a negative factor. In addition, the fact that Lake Shelbyville separates the districts makes the logistics involved in transporting Findlay students to Sullivan a nightmare. Bethany, Lovington, and Sullivan are presently looking at consolidation.

A Findlay-Shelbyville reorganization is the only logical effort worth pursuing. The maximum distance a Findlay student would have to travel is only about 16 miles. In fact, most Findlay students reside south of Findlay and would have even fewer than 16 miles to ride a school bus. Shelbyville is not operating with deficits in any of its funds at the present time, and could absorb Findlay high school students with ease in its present facility.

Chapter V

Summary, Conclusions, and Recommendations

Summary

Many Illinois school districts are facing financial difficulty. Some smaller unit districts, like Findlay, are on the brink of becoming insolvent. This study investigated the options available to schools whose financial condition dictates that something be done. It also examined attitudes of the community, teachers, and students toward 18 factors associated with school reorganization.

The reasons that districts like Findlay are in their present financial condition were discussed. The financial woes of rural schools can be traced to declining enrollment, inadequate state support, and declining farmland assessments. The research and literature were then reviewed in order to gain perspective on the issues likely to come up during discussions of school reorganization.

The community, teachers, and students were surveyed relative to the issues that were identified in the research and literature. Specifically, an attempt was made to determine whether Findlay High School is perceived as an effective school, whether a perception exists that the financial picture for it is likely to improve, and whether loyalty to the community and its school is likely to hinder reorganization efforts. Finally, a recommendation regarding future action was developed based on the results of the study.

Overall, the survey results indicate that, with respect to school effectiveness, students perceive Findlay High School as less effective than do their teachers or members of the community. All groups strongly favor small class size. Teachers in Findlay are perceived to be as effective as teachers in other schools and the

teachers are not overworked. Findlay students are perceived to receive more individual attention and to do better overall than they would in a larger school.

Relative to school finance, all groups are undecided with respect to the notion that the cost of maintaining the schools in Findlay is prohibitive. All groups tend to think that the tax on farmland is likely to remain the primary source of funding for Findlay schools. Teachers do not view the tax on farmland as objectionable, probably because they are aware of the shortcomings associated with the other forms of taxation that might be used to fund schools. The students and community are rather strongly against the tax on farmland. All groups at least agree that increased taxes may prevent declining property value, and all groups are in favor of putting a tax referendum before the voters.

Relative to political issues, students are strongly opposed to consolidation, whereas the teachers and community indicated an openness to the idea of reorganization. All groups perceive school closings as a threat to the survival of the town. Teachers are undecided about the effect of school closings on property value in Findlay, whereas the other groups indicated they believed the value of property would decline were the schools to close.

On the basis of the results of the survey, the author concludes that the Findlay Schools are perceived as being more effective than ineffective. The community perceives the advantages offered by small schools as important and that Findlay students are better off attending local schools than they would be if there were some form of reorganization.

The school community is concerned about school taxes. It perceives the property tax as objectionable, but also does not believe that any other type of

funding is likely to increase for supporting the schools. Most believe that a tax rate referendum should be put before the voters.

In Findlay, students are more opposed to reorganization than are teachers and community members. Teachers and other adults are more inclined to feel that the time has come to look at reorganization.

The forms of reorganization studied were consolidation, annexation, cooperative high schools, and tuitioning out of the high school. A discussion of the advantages and disadvantages of each of these forms of reorganization is presented.

Advantages of consolidation

Among the advantages offered by school consolidation is that an increase in the number of course offerings and types of extracurricular activities usually occurs. In particular, a Findlay-Shelbyville consolidation would increase the number of course offerings for Findlay high school students from 42 to 71. The majority of the increase of 29 courses is accounted for by more courses offered in the areas of foreign language, science, math, computer, and vocational.

Findlay presently has three major sports and six other extracurricular activities. The only girls sport offered at Findlay is volleyball. A consolidation between Findlay and Shelbyville would offer 21 total extracurricular activities, including girls basketball, volleyball, tennis, and track. Among the activities offered by a consolidated district not now offered by Findlay would be boys football, wrestling, tennis, cross-country, and golf.

Other advantages are financial in nature. These include Findlay getting rid of its debt, a possible tax decrease for Findlay residents, less payroll expense per

student, and higher pay for Findlay teachers.

If Findlay and Shelbyville were to consolidate, state incentives would include the following. Findlay's debt in the education and building funds would be wiped out. As of June 30, 1988 these amounts were \$170,000 in the education fund and \$50,000 in the building fund. In addition, the state aid that would have been received by the two separate districts, if higher than that due the consolidated district, is given to the consolidated district for three years after the consolidation occurs. As of June 30, 1988 this would have been in the amount of \$19,000 per year for a total of \$57,000 over the three years.

Findlay residents would likely see a tax decrease as a result of consolidation. The following table lists the tax rates per \$100 of assessed valuation in Findlay and Shelbyville.

Fund	Shelbyville	Findlay
Education	1.68	2.15
Building	0.37	0.525
IMRF	0.2265	0.1241
Tort	0.0968	0.00
Work Cash	0.05	0.05
Spec Ed	0.04	0.04
Bond and Int	0.3171	0.9115
Total	2.9454	3.9606

Shelbyville is lower by 47 cents in the education fund, 15.5 cents in the building fund, and 59.44 cents in the bond and interest fund. Shelbyville is higher by 10.24 cents in the Illinois Municipal Retirement Fund, and 9.68 cents in the tort fund. The districts have the same rates in the working cash and special education funds. Findlay's total tax rate is \$1.0152 higher than Shelbyville's.

Were the districts to consolidate, it is likely that the Shelbyville tax rates would be used by the consolidated district. Almost certainly, the rates in the education and building funds would be \$1.68 and \$0.37 respectively. This would result in a total reduction of 62.5 cents for Findlay residents. Findlay residents would be responsible for the \$0.9115 in the bond and interest fund for seven more years no matter what form of reorganization is undertaken. The high school in Findlay was remodeled in 1985 and the bonds issued for that purpose will not be paid off until 1995.

Several of the classes in the high school in Findlay have less than ten students. This situation would not occur nearly as often if at all in a consolidated high school. Thus the payroll for teachers should decline if Findlay and Shelbyville consolidated. In particular, the total teaching staff of a combined Findlay-Shelbyville school would be seven less than the current staffs of the two schools. At \$25,000 per teacher, this is a payroll reduction of \$175,000. The number of administrators could be reduced by two resulting in a savings of \$68,000.

A consolidated district would adopt the salary schedule currently in force in Shelbyville. This would result in the approximately 17 Findlay teachers who would be paid from this schedule receiving an average \$6000 raise. The state

would pay the new district this \$102,000 for three years after the consolidation occurred. Findlay teachers who would bump in to the consolidated district would receive a substantial pay raise, yet the payroll expense would actually decrease for the new district.

The communities involved must pass the consolidation referendum at the polls. The efforts on the part of schools to ensure passage of such a referendum tend to bring political issues out in the open. The public discourse on the issues can lead to the defusing of the issues as rallying points for opponents of the consolidation referendum. Over time, and with proper effort, communities can come to accept the joining of their schools.

Disadvantages of consolidation

The disadvantages of school consolidation include the fact that the voters in both districts must approve the consolidation, increased transportation costs, the loss of a town's schools, and an end to local control of local resources.

Findlay, as a potentially insolvent district, must recognize that a school consolidation referendum may fail in either Findlay or Shelbyville or perhaps both. What would happen after such an occurrence must be considered. If a district waits until it is desperate before attempting consolidation, and the consolidation referendum fails, the district may actually become insolvent. Then it is likely that the state would take over and reorganize the district. The community loses its voice in any decision regarding reorganization. A board should decide far enough in advance of actual insolvency to attempt consolidation more than once so that the likelihood of passage of the referendum is increased.

A Findlay-Shelbyville consolidation might result in Findlay losing even its grade school. Ideally, the high school, which was remodeled in 1985, would become the grade school, and the Findlay students in grades 7-12 would be transported to Shelbyville. The Findlay grade school building would be shut down. The two school boards could agree that the buildings would be utilized in this manner. After a successful consolidation referendum, a new board would be elected. This new board would not be legally bound by any agreements made by the two boards prior to consolidation. The Findlay Grade School could be closed at any time.

Findlay residents would certainly have less say in running a consolidated Findlay-Shelbyville school. In fact, it would be possible that the new board would contain no members from any of the four townships in the Findlay district.

In a Findlay-Shelbyville consolidated district, the percent of Findlay students able to participate in a particular extracurricular activity may decrease. For example, in Findlay, any boy who goes out for basketball gets on the team. In Shelbyville, boys must go through tryouts in order to make the team. Several who might get to play on the team in Findlay would not make the team in a consolidated district. The same situation would occur in all competitive sports. While the number of opportunities to take part in extracurricular activities goes up in a Findlay-Shelbyville consolidation, the number of Findlay students who actually participate could decline.

Transportation costs would increase were Findlay and Shelbyville to consolidate. Findlay currently has three bus routes. Assuming each bus would travel 26 extra miles per day if they had to take students in grades 7-12 to

Shelbyville, the increased cost would be about \$11,700 per year. Findlay high school students would have further to go in order to participate in after school activities. Their parents might soon tire of making a daily trip to Shelbyville to pick up their children from basketball or play practice.

The fact that a consolidation referendum could fail, that transportation costs increase, that a community may lose all of its schools, and that there is a certainty of loss of local control are all disadvantages of consolidation.

Advantages of a cooperative high school

Among the advantages offered by the formation of a cooperative high school are that each participating district keeps its grade school and control of that grade school. Each district keeps its own tax rate and the voters in each district retain control over the tax rate with their votes. In keeping the local board, each district retains greater control of how its money is spent than might be the case in a consolidation. A cooperative high school would offer more courses and have fewer teachers than the separate districts from which the cooperative high school was formed. There would probably be a more efficient use of administrators and equipment.

Disadvantages of cooperative high school.

An obvious disadvantage of forming a cooperative high school to help solve the financial problems of a small district is that the savings may not be significant. For example, were Findlay and Windsor, (two contiguous districts in central Illinois with a combined high school enrollment of 240), to form a cooperative high school, the savings have been estimated at \$60,000. Assuming each district would save one-half of that amount, Findlay would save

\$30,000 per year. Assuming no other changes in income or expense, ten plus years would be required to make up the deficit in Findlay's building and education funds.

Another disadvantage is that all but one of the districts involved in forming a cooperative high school would lose its high school. Much of the social life of small communities revolves around the high school. The high school would be sorely missed were it to be closed. There would be increased transportation costs for all but one of the districts involved. Each district involved in forming a cooperative high school must vote on the issue, and it could fail in one or more of the districts involved.

The teachers involved in forming a cooperative high school are not chosen by pooling the teachers from the separate districts and then using seniority and qualifications as criteria for their selection. The teachers are assigned by the committee which oversees the operation of the cooperative high school. Teacher unions concerned with protecting seniority might view the formation of cooperative high schools unfavorably.

The rules and regulations issued by the Illinois State Board of Education exclude the principal in a cooperative high school from hiring and firing teachers in that high school. That authority remains with the administrator in the home district of the teacher. This could lead to some problems if the administrative staff in the home district and the high school principal did not work well together.

Finally, the major disadvantage associated with forming a cooperative high school is that there are no incentives from the state that encourage districts to do so. This absence of state help in reducing debt combined with the possibility of

insubstantial savings can make the formation of a cooperative high school unattractive as a means of solving the financial woes of a school district.

Advantages of annexation

A third option available to financially strapped districts is voluntary annexation to another district. An advantage of this option is that it may be done by action of the involved school boards and the approval of the regional board of trustees.

The teachers in a district which annexes to another district retain their tenure in the new district. All details of the annexation can be worked out in advance and incorporated into a legal document which is binding. This form of reorganization occurs faster than consolidation, and does not require approval by the State Superintendent of Instruction.

Disadvantages of annexation

The disadvantages associated with annexation are much the same as they are for consolidation. There will be increased transportation costs, and the smallest communities will likely lose their schools. In addition, it is possible that a district may be split two or more ways by annexation. If this occurs, there are no state incentives and all sense of community may be lost.

Advantages of tuitioning out high school students

A fourth option school districts can consider to solve their financial woes is the tuitioning out of their high school students to another district. Under this arrangement, a district simply pays another district to educate its high schoolers and buses its high school students to that district. The advantages include better class selection and more extracurricular activities. The district which chooses this option would have no teacher or administrative costs for a high school. No

election is required in a district that chooses to tuition out its high school and such a district is able to keep its grade school.

Were Findlay to tuition out its high school students to Shelbyville, the cost would be approximately \$324,000. This represents about one-third of the districts annual expenditures. About 45% of Findlay's annual expenditures, or about \$450,000, is spent on the high school. Tuitioning out its high schoolers would save Findlay about \$126,000 per year.

Disadvantages of tuitioning out high school students

The disadvantages associated with tuitioning out high school students include loss of control of the high school, increased transportation costs which are the responsibility of the transporting district, and the fact that the receiving district may choose not to take any students.

Advantages and disadvantages of a local tax increase.

The final option discussed is increasing the local support for a financially strapped school. A tax referendum has the advantage of increasing the money available to operate the schools and is advantageous in that a community can keep control of its schools. The disadvantages are that the tax burden on property owners may become burdensome, and that voters may refuse to support the referendum. Another disadvantage is that schools in a severe state of crisis may not be able to wait the year or more that passes between a successful referendum and the actual receipt of the money. In addition, it is difficult to project very far into the future what tax rate is going to be required to raise a specified amount of money because of dropping farmland assessments.

Conclusions

Placing a tax increase before the voters via a referendum is desired by the community. Should the tax rate referendum fail, reorganization is the only viable option remaining. The district with which it would be most advantageous to consolidate is Shelbyville. Annexation with Shelbyville is also a possibility. The forming of a cooperative high school would not resolve the immediate financial crisis facing Findlay. Tuitioning out of students to Shelbyville is also a possibility.

The solution to the financial crisis in Findlay requires either more money or some form of reorganization. If more money is the objective of the local school board; it should concentrate on increasing local revenue via an increase in the property tax rate. Increases in state funding for smaller Illinois school districts of a sufficient amount to solve the problem is highly unlikely. Of the forms of reorganization considered, the author concludes that consolidation is the better choice for Findlay CUSD #2. The financial woes of Findlay would be erased were the district to consolidate. On the basis of the data gathered, it seems likely that a consolidation vote at this time would fail in Findlay.

Recommendations

The Findlay School Board should put a tax referendum on the ballot at the next available opportunity. Should the vote be in favor of increased taxes, the district can continue to operate for some additional years.

Should the referendum fail, the board should immediately begin discussions with the Shelbyville School Board regarding annexation. Annexation does not require voter approval, and can be accomplished more quickly than

consolidation. Care should be taken to ensure that the entire district join with Shelbyville so that the state incentives that wipe out Findlay's debt are ensured. Residents in the northern part of the Findlay district could attempt to petition out at a later date.

Annexation to Shelbyville would ensure that Findlay's professional staff members with seniority have reasonable opportunities for keeping their jobs in the area and their homes in Findlay. Findlay could negotiate that the grade school remain in Findlay for a certain number of years, and thus utilize the newly remodeled building in the district. Most importantly, a lengthy effort to get voter approval for consolidation could lead to the Findlay district actually becoming insolvent. The school board is not serving the community well if it allows that to happen. In the absence of increased local support, annexation offers the best way to prevent the insolvency of the district. Annexation would resolve the financial problems facing the district, improve educational opportunities for Findlay students, protect the interests of Findlay teachers, and lower the property tax for Findlay taxpayers.

All schools of any size in Illinois which rely on property taxes as the major source of their funding could find themselves in financial difficulty. Small, rural schools fitting this description are especially vulnerable. Every effort should be made by those responsible for the financial health of a school unit to foresee problems in this area. Every effort should be made to avoid confronting the issue of financial health in a crisis atmosphere. The sense of impending doom affects dialogue among the groups in a school and community, and may limit the choice of options available to address the problem.

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Appendix
Survey

1. The Findlay Schools should investigate consolidation.
 - 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree

2. A tax referendum should be put before the voters
 - 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree

3. The cost of keeping a high school in Findlay is prohibitive.
 - 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree

4. The quality of education provided by the Findlay Schools is inferior to that of Shelbyville.
- 1 strongly agree
2 agree
3 undecided
4 disagree
5 strongly disagree
5. The number of extra curricular activities offered is a good measure of the quality of education offered by a school.
- 1 strongly agree
2 agree
3 undecided
4 disagree
5 strongly disagree
6. The percent of students taking part in extra curricular activities is a good measure of the quality of education offered by a school.
- 1 strongly agree
2 agree
3 undecided
4 disagree
5 strongly disagree
7. More Findlay students will be able to take part in extra-curricular activities in Shelbyville than in Findlay.
- 1 strongly agree
2 agree
3 undecided
4 disagree
5 strongly disagree

8. It is likely that the tax on farmland will be the primary source of funding for Findlay's schools
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
9. The tax on farmland is the best way to fund our schools.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
10. The town of Findlay will be seriously hurt if it loses its schools.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
11. The value of property in Findlay will decline if the town loses its schools.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree

12. Increased taxes are a reasonable price to pay to prevent declining property values
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
13. Small classes result in better student achievement.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
14. The small classes in Findlay are indicative of inefficient use of public resources in a public school.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
15. Findlay teachers are not as well trained as teachers in larger schools.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree

16. Findlay high school teachers have too many different classes to teach.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
17. Findlay teachers give children more individual attention than the students would be likely to receive in a larger school.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree
18. Overall, I believe students do better in Findlay schools than they would in a larger school.
- 1 strongly agree
 - 2 agree
 - 3 undecided
 - 4 disagree
 - 5 strongly disagree