



## Vermont Legislative Research Service

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### Economic Impact of School Closure

This report aims to examine the economic impact of school closures on communities across the nation. We used research databases to find case studies that examine the different ways school closures have impacted state and county economies. The case studies from Maine, Texas, New York, and Nebraska each provide data on the effects of closures with different ranges of focus. Before discussing the case studies, we begin the report with an analysis of the general impacts of school closures on rural communities in the United States. These impacts include a decrease in property values, business activity, and civic participation.<sup>1</sup>

### Community Impacts of School Consolidation

Research by Gary Green on the impact of school consolidation on communities found effects in several areas: property values, business activity, and social capital.<sup>2</sup> School quality has a major impact on local property values. Towns and districts with perceived higher-quality schools have a high demand for housing. In turn, property values shape the fiscal capacity of school districts and influence school consolidation. Moreover, if property values decline, the resources available for schools decrease, and school administrations look to cut costs, such as consolidations.<sup>3</sup> School consolidation also can have a direct impact on property values. Thomas Lyson assessed the social and economic benefits of schools to rural villages in New York and found that property values are considerably higher, and municipal infrastructure is more developed in rural towns with schools.<sup>4</sup> Green also notes that in most states, public schools are largely funded through property taxes. So, districts that attempt to consolidate in response to fiscal problems create a downward cycle due to the dynamics above.<sup>5</sup> Social capital is cited as a community impact in Green's article. Schools remain one of the few local institutions that allow residents to interact on issues of common concern. School consolidation reduces the opportunity for social

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<sup>1</sup> Gary Paul Green, "School Consolidation and Community Development," *Great Plains Research*, 23 (Fall 2013): 99-105, [https://www.jstor.org/stable/pdf/23780191.pdf?refreqid=fastly-default%3A4bc0a9112884ccfe176b526cc572d5ce&ab\\_segments=&initiator=&acceptTC=1](https://www.jstor.org/stable/pdf/23780191.pdf?refreqid=fastly-default%3A4bc0a9112884ccfe176b526cc572d5ce&ab_segments=&initiator=&acceptTC=1).

<sup>2</sup> Green, "School Consolidation and Community Development."

<sup>3</sup> Green, "School Consolidation and Community Development."

<sup>4</sup> Thomas A. Lyson, "What Does a School Mean to a Community? Assessing the Social and Economic Benefits of School to Rural Villages in New York," *Journal of Research in Rural Education*, 3 (Winter 2002): 131-137, [https://jrre.psu.edu/sites/default/files/2019-08/17-3\\_1.pdf](https://jrre.psu.edu/sites/default/files/2019-08/17-3_1.pdf)

<sup>5</sup> Gary Paul Green, "School Consolidation and Community Development."

interactions within local communities. School consolidation is also shown to have a loss of civic participation.<sup>6</sup>

In his article, Green brings in two counter-arguments that support school consolidation: efficiency and equity. Supporters of consolidation argue that large schools and districts will provide education to students at a lower cost due to economies of scale.<sup>7</sup> The costs will be spread out across more students. They also argue that small schools are unable to provide the breadth and depth of educational programs that are offered in large schools. Green states that these arguments have been effective in many state legislatures, as recent fiscal stress has been more of a burden. Green counters those arguments by stating that the loss of a school leaves a void in the community, and school consolidations make it more difficult for students to engage with their communities. He states that consolidation tends to undermine the capacity of communities to enhance their well-being as well as community autonomy, community identity, and collective action.<sup>8</sup>

The local economy is also affected by school closures. Lyson found that rural communities with schools experienced greater business activity compared to those without.<sup>9</sup> Student and faculty expenditures and the school spending on supplies and services influence local business activity.<sup>10</sup>

### **Case Studies Based on Communities in the U.S.**

#### **Maine**

Heather J. Perry from the University of Southern Maine conducted a case study to analyze the economic impact of school closures in three communities of rural Maine.<sup>11</sup> The goal of these school closures was to save money and reduce taxes. Perry used comparison communities with similar populations in other rural parts of Maine to compare the outcomes of the data in each county. The first county, Lubec, demonstrated that the one-time savings of closing the high school was \$3,553.00. Monson, the second county of the case study, had higher one-time savings, with \$265,397.00 saved by the school closure. Finally, the Starks town school closure resulted in \$194,843.51 in one-time savings. The other economic markers included median workforce age, mil rate (tax commitment), livable wage income, municipal service investment, home values, and employment rate. In each community, the school closure was not found as the individual reason for any negative impact on these economic markers. The study also demonstrates that the goals to reduce taxes and save money were not achieved in Lubec and

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<sup>6</sup> Gary Paul Green, "School Consolidation and Community Development."

<sup>7</sup> Gary Paul Green, "School Consolidation and Community Development."

<sup>8</sup> Gary Paul Green, "School Consolidation and Community Development."

<sup>9</sup> Thomas A. Lyson, "What Does a School Mean to a Community? Assessing the Social and Economic Benefits of School to Rural Villages in New York."

<sup>10</sup> Gary Paul Green, "School Consolidation and Community Development."

<sup>11</sup> Perry, Heather J. *The economic impacts of school closure in rural Maine*. University of Southern Maine; 2020. Accessed November 21st, 2024, <https://digitalcommons.usm.maine.edu/muskie-dissertations/8>

Monson counties, Starks was the only community to demonstrate a reduction in educational spending and taxes.<sup>12</sup>

## Texas

A case study by Jeonghyeok Kim from the University of Houston analyzed how school closures in Texas impacted labor market outcomes.<sup>13</sup> Kim analyzed school closures in Texas from 1998 – 2015. Overall, Kim found negative effects on post-secondary education and, subsequently, labor market outcomes. When students experienced school closures, it significantly decreased average college entrance test scores, as well as college admission. Therefore, their labor market outcomes are much smaller than those who did not experience school closures.<sup>14</sup> The labor market directly correlates to the economy because it decreases consumer spending and overall slows economic growth – a smaller workforce means a smaller economy.<sup>15</sup>

## New York

William Duncombe, John Yinger, and Pengju Zhang explored the impact of school district consolidations on house values based on house sales in upstate New York from 2000 to 2012. They found that consolidation had a negative impact on house values during the years right after consolidation occurs.<sup>16</sup> Yet this effect faded away and was eventually reversed about two and half years following the consolidation. After five years, house values had returned to their pre-consolidation level. They also found that the long-term impacts of consolidation on house values are positive in low-income areas but negative in high-income areas, “where parents may have a relatively large willingness to pay for the access to teachers and other nonbudgetary advantages of small districts.” This pattern reflects some combination of learning about the consequences of consolidation and differences in household preference to move into districts before and after they consolidate.<sup>17</sup>

## Nebraska

Joan Blauwkamp, Peter Longo, and John Anderson examined the impact of school consolidation on rural communities in Nebraska. They found that consolidated schools weakened the bonds between rural youth and their communities, making it more likely that they will move away as

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<sup>12</sup> Perry, Heather J. *The economic impacts of school closure in rural Maine*. University of Southern Maine; 2020. Accessed November 21st, 2024, <https://digitalcommons.usm.maine.edu/muskie-dissertations/8>

<sup>13</sup> Jeonghyeok Kim, University of Texas, “The Long Shadow of School Closures: Impacts on Students’ Educational and Labor Market Outcomes” accessed November 21, 2024, <https://edworkingpapers.com/sites/default/files/ai24-963.pdf>

<sup>14</sup> Kim “The Long Shadow of School Closures: Impacts on Students’ Educational and Labor Market Outcomes”

<sup>15</sup> International Monetary Fund, “Unemployment: The Curse of Joblessness” accessed November 21, 2024 <https://www.imf.org/external/pubs/ft/fandd/basics/unemploy.htm>

<sup>16</sup> William Duncombe, John Yinger, and Pengju Zhang, “How Does School District Consolidation Affect Property Values? A Case Study of New York,” *Sage Journals: Public Finance Review*, 44 (January 2016); 52-79, <https://journals.sagepub.com/doi/epub/10.1177/1091142114524617>

<sup>17</sup> Duncombe, Yinger, and Zhang, “How Does School District Consolidation Affect Property Values? A Case Study of New York.”

they become adults.<sup>18</sup> In this case, there are already very few economic opportunities in the communities, making the migration out of the towns more likely. School consolidations appear inevitable as rural populations grow thinner, creating a vicious cycle. They propose some solutions to end the cycle. They suggest the growth of the virtual economy. This holds the potential for more jobs to be created that do not require the employee to live in a specific place. They could live in the community while working across the state or the country and beyond. They also propose to rely on local agriculture as there is a renewal of interest and support for locally grown and small-scale agriculture. Populations in rural areas could stabilize or grow if communities emphasize the “locavore” movement (people who seek to rely on locally grown food supplies and related initiatives). This could result in smaller farms, fewer industrial techniques, and more laborers.<sup>19</sup>

## Conclusion

As seen through the case studies and research, there are mixed economic repercussions for school consolidations and closings in different kinds of communities. There is no general trend regarding the economic impact of school closures. Each outcome requires the context of the type of community the consolidation is happening in, and what economic output is being specifically tracked. Nonetheless, school closures are more common in rural areas.<sup>20</sup> However, based on the Nebraska article and research from Gary Green, school consolidations do appear to reduce opportunity for social interaction in smaller or more rural communities.

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This report was completed on December 6, 2024, by Chloe Elkort, Sarah Kelleher, and Kate Butcher under the supervision of VLRS Director, Professor Anthony “Jack” Gierzynski in response to a request from Representative Burrows.

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Disclaimer: The material contained in the report does not reflect the official policy of the University of Vermont.

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<sup>18</sup> Joan Blauwkamp, Peter Longo, and John Anderson, “School Consolidation in Nebraska: Economic Efficiency vs. Rural Community Life,” *Journal of Rural Research and Policy*, 6 (2011); 1-20, <https://newprairiepress.org/cgi/viewcontent.cgi?article=1050&context=ojrrp>

<sup>19</sup> Blauwkamp, Longo, and Anderson, “School Consolidation in Nebraska: Economic Efficiency vs. Rural Community Life.”

<sup>20</sup> Blauwkamp, “School Consolidation in Nebraska: Economic Efficiency vs. Rural Community Life.”