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## [Understanding the Effects of School Funding.](#)

### **Key Takeaways**

Funding for California's schools has reached record-high levels, although the pandemic has exacerbated longstanding inequities in student outcomes. As policymakers grapple with questions around how much to fund schools and how that funding should be distributed, existing research can provide insights into where and how to use additional funds to improve outcomes. In this review of the research, several key themes emerge:

- **Several years of sustained spending increases improved student outcomes.** A robust body of research shows that across a variety of outcomes such as test scores, graduation rates, and college attendance, student performance improves with greater spending. Over the long term, students gain important benefits on economic outcomes such as wages. Benefits tend to be greater for lower-income students and districts.
- **How—and to whom—spending is targeted matters.** Policies that target district characteristics may not fully address gaps in spending and student outcomes, depending on how funding is targeted across students and schools within the same district. In California, spending is higher for low-income, Black, and Latino students—but current spending progressivity is not enough to close existing test score gaps.
- **The labor market for educators may constrain spending policies and create tradeoffs.** Often, high-poverty schools rely on lower-paid and less experienced teachers, but have smaller class sizes. Large-scale policies to increase spending on new staff—such as the class size reduction of the 1990s—may adversely affect experience and credentials over the short run, limiting potential benefits per dollar.
- **Cost pressures in California schools affect the efficiency of funding.** Declining enrollment, rising employee benefit costs, and staffing shortages in some areas limit how efficiently funding translates into better school resources.

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