More School Funding Means Better Student Outcomes

SSTUWA
State School Teachers' Union of WA

SAVE OUR SCHOOLS: Education Research Brief

A new analysis of major studies of the relationship between school expenditure and student outcomes provides conclusive evidence that increased expenditure leads to higher test scores, high school graduation and tertiary entrance. The impacts are much larger for low income than for high income students.

The study published last month by the US National Bureau of Economic Research is the most rigorous analysis of key studies to date. It conducted what is called a meta-analysis of 31 studies since 2000 that used sophisticated statistical techniques to estimate the causal effect of increased expenditure on school test scores and educational attainment. Of these 31 studies, 29 found positive impacts of increased school spending on student outcomes.

The study says this is "compelling evidence" that increases in school spending improves student outcomes [pp. 20-21]. It concludes:

> ....the pattern of results is statistically incompatible with the notion that "money does not matter" and provides overwhelming evidence that policies that increase school spending improve student outcomes on average. [p. 21]

And:

> ....the most credible evidence to date is extraordinarily inconsistent with the notion that money does not matter. [p. 36]

Of 24 studies that estimate the effect of school spending on test scores, 22 found a positive effect. All 13 studies that estimated the effect on educational attainment (dropout, high school completion, or tertiary entrance) found a positive effect. Three studies that examined the effect of school spending on adult earnings also found a positive effect.

The pooled meta-analytic estimate indicates, on average, that a US$1,000 increase in funding per student over four years increases test scores by 1.9 percentage points, high school graduation by 2.1 percentage points and tertiary participation by 3.9 percentage points. The impacts for low income students were similar but much smaller for non-low income students – 0.6 percentage point increase in high school graduation and a one percentage point increase in tertiary participation.

The study suggests that the larger effects for low income students is not just due to lower income students receiving larger increases in spending, but also likely indicates higher responsiveness to the same increase in spending by less economically advantaged students compared to more advantaged students.

Another key result of the study is that the effect of spending increases is similar across a wide range of baseline spending levels. It found no evidence that the impact of spending increases is less at higher baseline levels. The impact was similar over a baseline spending range of US$8,000-$20,000 per student. This finding contradicts claims that the level of school spending in countries such as the United States and Australia is so high that there would little impact of further increases in expenditure.

The study also compared the effects of increases in recurrent and capital expenditure after allowing for the difference in time for capital spending to have an effect. It found that capital spending takes 5-6 years to have an impact on student outcomes and that the effects are similar to recurrent school spending.

The study provides conclusive evidence of the positive effect of increasing expenditure on schools.

> ....a policy that increases per-pupil spending $1000 for at least four years will lead to positive test-score impacts over 92 percent of the time, and positive educational attainment impacts more than 99 percent of the time. [p. 36]

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