Getting the Vote: Do School Bond Issuances and Outcomes Depend on Ballot Disclosures?

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13th annual Municipal Finance Conference
Brookings Institution
How to pass a school bond in California:

• Have more Democrats
• Have more voters with school-aged kids
• Don’t mention tax increases
• Mention climate (fixing HVAC systems)
• Mention tech (if you have younger voters)
• Go for sympathy (“dilapidated”, “aging”, etc.)
How reliable are the results?

- E.g., disclosing HVAC needs leads to more “yes” votes
- This result comes and goes
  - Why is HVAC special?
  - What makes it more important than, e.g., fire safety?
  - What theory is being tested?

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<td>HVAC x Pet Participation</td>
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Suggestions for boosting reliability

• Use a hold-out sample
  • Generate OLS results using observations from, e.g., odd years (the sample period is 1995-2019)
  • Does the odd-year model predict “yes” votes for the even-year sample?

• Run the analysis year-by-year
  • Are the coefficient estimates stable in the time series?

• Run the analysis district-by-district
  • Are the coefficient estimates stable in the cross section?
What explains the timing of the effects?

- 2+ years elapse between bond passage and issuance (762 days, per Table 1)
- Yet spending, test scores, and house prices go up within 1 year

How?
- Do schools tap reserves in anticipation of arriving funds?
- Do residents price the effect at the time of passage?
Are school bonds worth it?

• “Despite the clear need for school district funding...” (pg. 3)
• “...high costs may cause good projects to go unfunded.” (pg. 6)
• Cost per student:
  • Mean bond amount = $111,000,000 (Table 1)
  • Mean enrollment = 7,212 students (Table 1)
  • $111,000,000 / 7,212 students = $15,391 per student

• Benefit per student:
  • Mean test score = 744.2 pts (Table 1)
  • Mean test score increase for bond passage ≈ 7 pts (Table 3)
  • 7 pts / 744.2 pts ≈ 1% increase in test scores
Free paper idea: Does local media coverage affect bond passage?

• Media affects financial decision making in many contexts (e.g., Engelberg and Parsons, 2011)
• Do polarizing news stories about schools affect voting?
Free paper idea: Do voters have budget constraints? Does framing matter?

- Budget constraints affect many financial decisions (e.g., Weingartner, 1966).
- Vast literature on framing and decision making (e.g., Cohen, 1960).

<table>
<thead>
<tr>
<th>Ballot 1</th>
<th>Ballot 2</th>
<th>Ballot 3</th>
<th>Ballot 4</th>
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</table>
| 1. Shall ABC Unified School District issue $1 million of bonds?  
☐ Yes ☐ No | 1. Shall XYZ Hospital issue $1 million of bonds?  
☐ Yes ☐ No | 1. Shall ABC Unified School District issue $1 million of bonds?  
☐ Yes ☐ No | 1. Vote for contentious political office  
☐ ☐ |
| 2. Shall ABC Unified School District issue $1 million of bonds?  
☐ Yes ☐ No | | 2. Shall XYZ Hospital issue $1 million of bonds?  
☐ Yes ☐ No | 2. Shall ABC Unified School District issue $1 million of bonds?  
☐ Yes ☐ No |
Providing answers to naïve questions would bring the text to life.

• Whose job is it to write bond disclosures?
• Are there character limits?
• How does the triple-diff in Table 5 work?
  • If two school districts are treated, but only one succeeds in passing a bond after 2001, then doesn’t that imply that something else changed within the treated group?
  • Suggest using Treated x Post 2001 as an IV for Bond Passed
Editor’s decision at the *JFJ* (Jess’ Finance Journal): R&R

• Very practical paper with crystal clear policy relevance
• Suggest the authors solidify the reliability of the results
• Ballot design seems like a promising lab for studying determinants of financial decision making
Thank You