

# How Political Institutions Shape Education Spending: Supermajority Requirements in U.S. School Capital Investments

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## *Abstract:*

This paper examines how political institutions shape the size and composition of educational spending in the U.S. We study the case of school capital investments, which are funded by bonds issued by school districts, subject to approval in local referenda for which ten states require a supermajority. To study the equilibrium impacts of supermajority requirements on the size and composition of school capital investments, we build and estimate a structural model of bond proposal, design, and voting. In the model, school districts consider when to propose a bond, design the size and composition of capital investments (i.e., the types of projects to be undertaken), and submit them to voters for approval in local elections. The outcome of the election depends on the decision of voters and the majority requirement. Using a newly assembled dataset of more than 7,000 bond referenda, including the outcome of the election and the characteristics of proposed projects, we estimate heterogeneous preferences of school districts and voters across seven U.S. states. With these estimates, we then examine the impact of changes in majority requirements. We find that voter and district preferences differ substantially from each other. Policy simulations show that an increase in the required supermajority leads districts to push for projects that are smaller and more aligned with voter preferences, with implications for student outcomes.