

Not All Dollars Are Equal: The Composition of School Spending and Student Outcomes*

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Abstract

We study how the composition of school spending relates to school effectiveness. We assemble a new national panel dataset for Chile that links audited, highly disaggregated school-level expenditures to shrinkage-adjusted measures of school value added (SVA) for the period 2015–2022. These accounts classify annual spending into detailed categories—including distinct types of personnel remunerations, pedagogical quality programs, operations, infrastructure, and student well-being—allowing us to characterize how schools allocate resources over time and how these allocations relate to student learning. Three results emerge. First, schools display substantial and persistent heterogeneity in spending composition, even conditional on total expenditure and student demographics. Second, variation in school effectiveness is more closely aligned with spending composition than with overall resources: higher-SVA schools devote relatively more to instructional quality—particularly pedagogical supports, learning materials, and instructional support teachers—and relatively less to student well-being services. Third, schools that improve their SVA over time do not expand total spending more rapidly than others; instead, they reorganize their budgets, shifting resources toward specific personnel categories associated with instructional reinforcement. Taken together, these patterns show that differences in how schools allocate their budgets within institutions over time are strongly related to school effectiveness and highlight the importance of examining how schools use their resources, not only how much they spend.

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