Other People's Children:

How Diversity Without Inclusion Impacts Community Support for Public Schools

Abstract

Organizations pursuing activities that advance the public interest often require support from their local communities, but such support may be harder to come by in more racially diverse communities if diversity undermines civic participation. In this study, we argue that this negative effect of racial diversity on support for organizations serving the public interest will be weaker the more inclusive the community, especially where community inclusion is accompanied by shared values among members of different groups and where the organizations themselves are racially representative. We test and find support for these predictions by looking at one specific type of public-service organization: public schools in the United States. Specifically, we find that community support for public schools—both generally in terms of local spending per pupil and specifically as the bond amounts residents vote to approve—is negatively associated with racial diversity within a school district, but this negative relation only holds for less inclusive communities where members of different groups are less likely to live close to each other or to have social ties with each other. We further find that this moderating effect of community inclusion is complemented by shared values and organizational representativeness, so that diversity has the most negative effect in less inclusive communities where members of different races differ in their political beliefs and schools are relatively segregated, and no significant effect in inclusive communities with shared values and integrated schools. Our study sheds new light on the conditions under which organizations seeking to address grand challenges can benefit from strong community support.

INTRODUCTION

As we examine the role of organizations in addressing societal grand challenges (Mahoney et al. 2009, George et al. 2016, Luo and Kaul 2019), organizational scholars have grown increasingly interested in the intersection between organizations and civic engagement (Longhofer et al. 2019, Battilana et al. 2025, Porath et al. 2025). Building off insights from work on social capital (Coleman 1988, Nee and Ingram 1998, Portes 1998, Putnam 2000), this work suggests a reciprocal relationship between organizations and communities. On one hand, organizations may help build stronger communities by participating directly in civic activities (Marquis et al. 2007, 2013, Marquis and Battilana 2009, Galaskiewicz 2013, Tilcsik and Marquis 2013), driving civic wealth creation (Lumpkin and Bacq 2019), and enabling greater civic engagement (Pateman 1970, Longhofer et al. 2019, Lashitew et al. 2024, Hurst et al. 2025). On the other, community civic engagement may play a critical role in shaping organizational outcomes, with a community's ability to organize and act in its collective interest determining how it engages with

businesses and holds them accountable (Rao et al. 2010, Greve and Kim 2014, Yue 2015, Kalnins and Dowell 2017, Dorobantu et al. 2017, Odziemkowska and Dorobantu 2021), fosters entrepreneurship and innovation (Laursen et al. 2012, Kwon et al. 2013, Samila and Sorenson 2017), and supports a diversity of local organizations, including cooperatives (Yue et al. 2013, Rao and Greve 2018, Chatterji et al. 2021, Jeong et al. 2025), labor unions (Ferguson et al. 2018), nonprofits (Galaskiewicz et al. 2006, Berrone et al. 2016), and public providers (Leana and Pil 2006). In particular, this latter stream of work suggests that local community participation and support may be critical for organizations seeking to serve the public interest and address societal grand challenges (Ostrom 1990, Berrone et al. 2016, Luo et al. 2018, Luo and Kaul 2019, Ruebottom et al. 2025).

One challenging aspect of the reliance of organizational activities serving the public interest[1] on support from their local community is that such support may be stronger in more homogenous communities. As a substantial body of work across multiple disciplines has documented, civic engagement is often negatively associated with racial and ethnic diversity (Hero 2007, Portes and Vickstrom 2011): more racially diverse communities have lower levels of general trust and cohesion (Sampson et al. 2005, Dinesen and Sønderskov 2015, Yue 2015) and are less likely to contribute to collective goods (Alesina et al. 1999, 2019, Longhofer et al. 2019, McGhee 2021). This is problematic because it means that, other things being equal, racially or ethnically diverse communities may find it more challenging to engage in activism to hold firms accountable (Rao et al. 2010, Yue 2015) or to support organizations that provide valuable public services (Ostrom 2006, Yenkey 2015, Dutta 2019, Jeong et al. 2025). The quest to enhance social justice and equity of opportunity by fostering more diverse communities may thus be undermined if the result is lower civic engagement and a decline in the ability of communities to support organizational activities that benefit them.

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[1] We use the term public interest quite broadly to include any and all activities that produce positive externalities or curtail negative externalities, consistent with prior work (Cabral et al. 2019, Luo and Kaul 2019). We focus our study on organizations whose core mission is to provide public services (which we term public service organizations) because that is what we study empirically, but we believe our theory generalizes to community support for the public interest activities of other organizational forms, including the philanthropic or CSR activities of for-profit firms as well as the activities of hybrid forms that seek to balance social and financial objectives (Battilana and Lee 2014).

In this study we ask: under what conditions is racial diversity within a community more or less likely to impact support for organizations offering public services? Building off a baseline prediction that increasing racial diversity in a community will be associated with declining support for such organizations, we argue that this negative association will be weaker, the more inclusive the community. Our logic is that racial diversity weakens perceptions of shared interests and compromises the ability to coordinate collective action across racial groups, but these problems may be overcome in more inclusive communities where members of different groups live in close proximity to each other and interact with each other socially (Hill and Matsubayashi 2005, Field et al. 2008, Alesina and Zhuravskaya 2011, Kwon and Adler 2014). We further contend that this moderating effect of community inclusion will be stronger under two conditions: shared community values and greater organizational representativeness. Where members of different racial groups share the same values, these may be the basis of value homophily (Lazarsfeld and Merton 1954, Ingram and Morris 2007), enabling inter-group collaboration and creating a sense of shared interests (Trounstine 2016, Han et al. 2020, Solomon and Hall 2023). Similarly, community inclusion may be enhanced if the organizations providing public services are racially representative, both because such organizations may serve as conduits for collective action (Longhofer et al. 2019) and because such representativeness will foster greater civility and a stronger sense of shared interests (King et al. 2011). .

We test our theory in the context of community support for public schools in the United States. We see this as an appropriate setting to test our arguments because public schools are a classic example of public service organizations, the quality of local schools is a highly salient community outcome, community support is a critical source of funding for public schools in the U.S., and such support is the primary driver of differences in education investments across communities. Moreover, ensuring access to high quality education is an important societal grand challenge as reflected in its inclusion among the United Nations Sustainable Development Goals (SDG 4). In particular, inequalities in public school spending represent a fundamental form of social inequity, since access to high quality education is a prerequisite for equality of opportunity (Putnam 2016, Agarwal and Holmes 2019, Rivera and Tilcsik 2023). Besides, education is a rich empirical context that has long been used to advance our understanding

of organizational scholarship (e.g., March and March 1977, Meyer and Rowan 1977, Ouchi 2006, Teodorovicz et al. 2023, Hasan and Kumar 2024).

Consistent with our theoretical predictions, we find a negative relation between racial diversity and local spending per student on public schools overall, as well as the amount per pupil approved by voters in the district to be raised through the issue of new bonds. This relationship is moderated by community inclusion, however, in that the negative effect of diversity is stronger in communities with lower levels of residential integration or social connectedness, and disappears in communities where people from different groups live next door to each other and interact socially. These results are robust to a range of alternative measures and specifications as well as to the use of a Bartik-style instrument to account for changes in racial diversity within a community (Card 2001, Goldsmith-Pinkham et al. 2020). We further find that this moderating effect of community inclusion is stronger in the presence of organizational representativeness and shared values, in that the negative effect of increasing diversity on community support for public schools is strongest in less inclusive communities where members of different racial groups are divided in their political views and where public schools themselves are relatively segregated, and not significantly different from zero in inclusive communities with racially integrated schools and shared political preferences. Supplementary analyses confirm that these shortfalls in local support for public schools are consequential, in that greater local support is associated with better student outcomes.

Our study contributes to research on addressing societal grand challenges (Mahoney et al. 2009, George et al. 2016) by offering a more nuanced picture of the factors that drive community support for public-service organizations (Alesina et al. 1999, Yenkey 2015, McGhee 2021) and therefore the conditions under which community-based solutions to societal grand challenges may be most effective (Ostrom 1990, Luo and Kaul 2019, Chatterji et al. 2021, Jeong et al. 2025). In doing so it also speaks to work on the relationship between organizational actions and community characteristics (Battilana et al. 2025), offering a richer picture of how the diversity and inclusion of a community, as well as the presence of shared values, may impact support for local organizations (Oliver 1991, Rao et al. 2010, Yue 2015, Odziemkowska and Dorobantu 2021), while highlighting the role of racial representativeness at the

organizational level as a complement to community inclusion (Ferguson 2016, Longhofer et al. 2019). Our study also contributes to research on the relationship between diversity and inclusion within organizations by extending the insights of this work to the community level (Roberson 2006, King et al. 2011, Roberson et al. 2017, Shore et al. 2018, Van Bommel et al. 2024, Randel 2025). Finally, we offer practical insight into a specific grand challenge: ensuring equitable access to quality education (Leana and Pil 2006, Ouchi 2006, 2008, Pil and Leana 2009, Rivera and Tilcsik 2023).

THEORY AND HYPOTHESES

Community diversity and support for public service organizations

Strategy and organizational scholars have become increasingly interested in the role that organizations play in addressing societal grand challenges and advancing the public interest (Mahoney et al. 2009, George et al. 2016, 2024, Cabral et al. 2019). This includes not only the pro-social efforts of traditional for-profit firms but also activities of social enterprises, cooperatives, and other hybrid organizations (Battilana and Lee 2014, Rao and Greve 2018, Jeong et al. 2025), as well as those of public organizations (Luo and Kaul 2019, Quelin et al. 2019, Teodorovicz et al. 2023). Whatever their governance form, these organizations often require support from local communities in order to effectively serve the public interest. A community that is unable to organize and support civic engagement may be unable to either punish firms for generating negative externalities (Rao et al. 2010, Yue et al. 2013, Luo et al. 2018) or reward firms that generate positive externalities or provide public services (Dorobantu et al. 2017, Odziemkowska and Dorobantu 2021, Odziemkowska and Henisz 2021, Teodorovicz et al. 2023). The level of civic engagement in a community is thus a critical determinant of the support available to public service organizations as they seek to address grand challenges (Berrone et al. 2016, Luo and Kaul 2019, Stein and Minniti 2025). This may be especially the case for organizations that generate bounded externalities, i.e., benefits that are largely or disproportionately impact a single community but are non-excludable within that community (Luo and Kaul 2019), since members of the local community may be the most, or indeed the only ones, motivated to support such organizations (Trounstine 2009, Jeong et al. 2025).

One challenge with this reliance on community support is that not all communities will be equally supportive of organizations seeking to provide a public service. In particular, a substantial body of prior research across economics, sociology, and organizational theory has found a negative association between increasing racial diversity in a community and various measures of civic engagement[2], including investments in public goods (Alesina et al. 1999, 2019, McGhee 2021), support for welfare spending (Lieberman 2003), reliance on public services (Trounstine 2015, 2016), market mobilization (Yue et al. 2013, Yenkey 2015), community activism (Rao et al. 2010, Yue 2015), environmental responsibility (Kalnins and Dowell 2017), union formation (Ferguson 2015), support for non-profit campaigns (Longhofer et al. 2019), participation in parent teacher associations (Crawford and Levitt 1999), the formation of local health organizations (Dutta 2019), and social trust and cohesion (Stolle et al. 2008, Greve and Kim 2014, Meer and Tolsma 2014, Dinesen and Sønderskov 2015). Underlying this negative relationship is the recognition that a community's social capital (Coleman 1988, Putnam 2000)—i.e. the cohesiveness of its social ties that helps foster cooperation and reciprocity (Nee and Ingram 1998, Putnam 2000) and promotes mutual trust (Portes 1998, Portes and Vickstrom 2011)—is often based on homophilous (or bonding) social ties (McPherson et al. 2001, Mollica et al. 2003, Ingram and Morris 2007, Dahlander and McFarland 2013). Increasing diversity may therefore lower social cohesion by thinning out social ties (Reagans et al. 2004) and thus lower civic participation. Conversely, a decline in diversity may result in a more cohesive and cooperative community, one that is more willing to support its members, as reflected in work on minority entrepreneurship among segregated communities (Fairchild 2009, Fesselmeyer and Seah 2017), support for education among majority black communities (Orr 1999, Johnson 2013), and work on immigrant enclaves (Logan et al. 2002, Cutler et al. 2008)[3].

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[2] Some studies have also shown evidence for diversity having a positive effect on investments in public goods (Corcoran and Evans 2010, Boustan et al. 2013, Glennerster et al. 2013), though the first two focus on diversity in income rather than race. The negative effect of diversity on public good investments is thus far from axiomatic.

[3] It is important to note that the advantages of reducing diversity may be conditional on selection (Cutler et al. 2008); in situations where diversity decreases because majority populations self-select out of a community, as in the case of 'white flight' from urban centers (Saiz and Wachter 2011), the departure of rich long-term residents and the resulting loss of valuable community resources may negate any potential benefits from greater cohesiveness among those that remain.

More specifically, the prior literature suggests two reasons why greater racial diversity may be associated with lower support for public service organizations. First, racial diversity may lower the community's capacity to engage in collective action. To the extent that racial or ethnic minorities are less likely to trust or form social ties with members of majority groups (Mollica et al. 2003) they may end up relatively isolated or excluded from civic participation (Meer and Tolsma 2014). The resulting fragmentation and lack of trust within a community may in turn hinder its ability to organize and act in its collective interest (Putnam 2000, Greve and Kim 2014, Samila and Sorenson 2017, Odziemkowska and Dorobantu 2021). Not only may people with fewer ties to other members of their community be less socialized into community norms (Schneider 1987, Schneider et al. 1995) and less aware of opportunities to contribute (Schneider et al. 1997, Greve and Kim 2014, Dutta 2019), but their lower levels of social trust (Alesina and La Ferrara 2002, Stolle et al. 2008, Meer and Tolsma 2014, Dinesen and Sønderskov 2015, Abascal and Baldassarri 2015) may make it harder for them to cooperate with their neighbors.

Second, greater racial or ethnic diversity may also reduce the perception of shared interests among community members. To the extent that different groups have different preferences and priorities, increasing diversity may have negative preference externalities, reducing effective demand (George and Waldfogel 2003, Waldfogel 2007), diminishing economies of scale in collective goods (Alesina et al. 2004), and lowering community engagement (Dumas et al. 2024). Even where all members of the community do have shared interests, this may not always be apparent as members of different groups experience an increased sense of potential conflict (Pelled et al. 1999, Legewie and Schaeffer 2016) and a lower sense of belonging, reducing their motivation to contribute to the community (Phan 2008, Leslie et al. 2013, Fussell 2014). These problems may be worsened by biased stereotypes (Yenkey 2018), which may result in active hostility towards minority groups (Quillian 1995, 1996, Field et al. 2008, Alesina and Zhuravskaya 2011), further lowering civic participation and community resilience (Rao and Greve 2018) and increasing preference for community activities and policies that exclude minorities (Scheepers et al. 2002). For instance, as a substantial body of scholarship has shown, increasing racial diversity in the U.S. is associated with lower support for welfare spending because voters wrongly believe that such spending

disproportionately benefits racial minorities (Lieberman 2003, Fellowes and Rowe 2004, Keiser et al. 2004, Soss et al. 2008). Greater diversity may also be associated with lower emotional attachments between members of different groups (Dumas et al. 2013, Sorenson and Rogan 2014), making community members less willing to contribute to collective action that benefits others rather than themselves if they do not see these recipients as deserving or are less likely to feel empathetic towards them (Galaskiewicz 2013, Bloom 2017).

The combination of a reduced ability to engage in collective action and a lowered perception of shared interests means that more diverse communities may be less willing to invest in public goods, as documented by prior work (Alesina et al. 1999, McGhee 2021). We thus offer the following baseline hypothesis:

Hypothesis 1: Support for public service organizations within a community is negatively associated with the racial diversity of that community.

The joint effect of diversity and inclusion

As discussed, the possibility that increasing diversity will come at the cost of support for organizations providing public services represents a potential issue for efforts to address societal grand challenges. Building a more just and equitable society means embracing diversity by welcoming people from different racial or ethnic groups into our communities. Yet if that diversity results in lower civic participation and weakened investments in public services, then it may undermine community progress. If more diverse communities have poorer public services (Alesina et al. 1999, McGhee 2021), lower support for nonprofits and community organizations (Berrone et al. 2016, Longhofer et al. 2019), are less resilient to shocks (Rao and Greve 2018), and less able to bargain with large corporations (Odziemkowska and Dorobantu 2021) or hold them accountable (Ingram et al. 2010, Yue 2015, Luo et al. 2018), then the sustainability of community diversity is open to question. Worse, the lowering of support for public services with increasing community diversity may provoke a backlash against such diversity (Glover et al. 2017, Leslie 2019, Tilcsik 2021), prompting a threat response from majority groups (Blumer 1958, Bobo and Hutchings 1996), and increasing withdrawal by minorities (Yue et al. 2013, Yenkey 2018), potentially

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leading to a vicious cycle of increasing polarization and conflict among racial groups (Hetey and Eberhardt 2014).

How may this negative effect of community diversity be overcome? We argue that what matters is not the level of diversity in the community per se, but the extent to which such diversity is (not) inclusive. Specifically, we define community inclusion as the extent to which different demographic groups within a community engage and participate in activities with each other. Such inclusion may have several aspects: it may include the extent to which members of different groups live in propinquity or have contact with each other (Hill and Matsubayashi 2005, Alesina and Zhuravskaya 2011, Trounstine 2016, Chua et al. 2020); the extent to which they form bridging social ties with each other (Putnam 2000, Portes and Vickstrom 2011, Chetty et al. 2022a, b); or the extent to which they feel generally trusting of others in the community (Alesina and La Ferrara 2002, Sampson et al. 2005, Nannestad 2008, Dinesen and Sønderskov 2015)[4]. Though each of these aspects is conceptually distinct we expect them to be positively correlated with each other. Moreover, we expect these different aspects of inclusion to reinforce each other, with feelings of trust towards other racial groups being stronger if people from different groups live next door to each other or interact socially, and vice versa. We therefore choose to use the term community inclusion as a broad umbrella concept that incorporates all these different aspects.

Our core argument is that community inclusion will help to ameliorate the negative effect of diversity on support for public service organizations. Scholarship on diversity within organizations (Roberson et al. 2017, Nishii et al. 2018) has long argued and shown that diversity and inclusion complement each other and warned against increasing diversity without inclusion (Roberson 2006, 2019, Shore et al. 2011, Randel 2025); we contend that a similar relationship may exist between diversity and inclusion at the community level. Specifically, frequent engagement and interaction between members of different groups may help overcome the collective action problem associated with diversity, with members

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[4] Empirically, we focus on the first two aspects of community inclusion, measuring the extent of residential integration and connectedness in the community, as discussed further in our methods section.

being more strongly socialized into community norms and better informed about community activities and initiatives (Greve and Kim 2014, Ingram and Silverman 2016), and people from minority groups being especially likely to feel welcomed (Fussell 2014). Social interactions between members of different groups are also likely to enhance trust (Rydgren et al. 2013) as members of different racial or ethnic groups will have the opportunity to engage in small acts of mutual cooperation, making it easier for them to organize and work together for the collective good of the community (Stolle et al. 2008, Rydgren et al. 2013). This is consistent with prior research showing that more racially integrated communities have greater civic participation (Alesina and La Ferrara 2000, Alesina and Zhuravskaya 2011, Trounstine 2016).

Community inclusion may also help create a stronger sense of shared interests among community members. As members of different groups interact and participate in activities together they are more likely to see each other as individuals (Zhang 2017, Dumas et al. 2024), judge them to be competent (Levine et al. 2021) and discover that they truly do have interests in common (Stolle and Rochon 1998, Hill and Matsubayashi 2005), reducing inter-group conflict (Field et al. 2008). Members of more inclusive communities may also feel greater emotional attachment to others (Sorenson and Rogan 2014), making them more willing to contribute to community actions that benefit others more than themselves (Douds 2021). Greater integration within the community will also serve to more closely align interests of different groups, since immediate neighbors (or close friends) will tend to benefit from the same public services, and greater residential integration is often associated with lower wealth and income inequalities (Galaskiewicz et al. 2021), making members of different groups in inclusive communities more willing to invest in the same public services. In sum, we expect that more racially inclusive communities will see a less negative effect of racial diversity on support for public service organizations. We thus predict:

Hypothesis 2: The negative relation between racial diversity and support for public service organizations within a community is weaker the more inclusive the community.

Moderating role of shared values

Inclusion is not the only community characteristic that may influence the potential negative effect of community diversity on support for public service organizations. The negative effects of diversity may

also be weaker where members of different groups share the same values. First, the presence of shared values may enable stronger collective action in the community. Research on value-homophily (Lazarsfeld and Merton 1954, Ingram and Morris 2007) suggests that shared values or higher order goals can form the basis of ties between individuals, allowing them to coordinate despite belonging to different groups (Sagiv and Schwartz 1995, Han et al. 2020, Solomon and Hall 2023). Conversely, where different groups within the community have different values or are ideologically polarized, this will undermine collective engagement (Hajnal and Trounstine 2014, Trounstine 2016, Dumas et al. 2024, Evans et al. 2024). Second, if members of different groups have similar values, they may also have a stronger perception of shared interests. Value similarity will create natural alignment among the interests of different groups, since they are more likely to see the same problems, and prefer similar solutions to those problems. Value similarity may also reduce out-group bias, increasing empathy and concern for members of different racial or ethnic groups who share the same values (Swann et al. 2014); conversely, value differences may enhance perceptions of otherness and legitimize prejudice towards other groups (Effron and Knowles 2015).

Not only may the presence of shared values within a community thus ameliorate the negative effect of diversity directly[5], it may also complement community inclusion. On one hand, the presence of shared values may strengthen the moderating effect of community inclusion, with the interactions between members of different groups who live near each other or connect socially being deeper or more meaningful if they have similar values and preferences, and these shared values enabling stronger conformance to group norms (Portes 1998, Putnam 2000). On the other, where members of different groups differ in their values, then greater inclusion may have limited effect, because interaction between groups may remain relatively superficial, with people from different groups maintaining social niceties but being unable to agree on more fundamental topics like investing in their community. Worse, to the extent that greater interaction between members of different groups enables the discovery of value differences— after all, in the absence of such interaction members of different groups may be less aware of each other's

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[5] Though we do not explicitly hypothesize this relationship for the sake of brevity, we test (and find support) for it in our empirical analyses.

values—more frequent cross-group interaction may serve to exacerbate conflict and strengthen outgroup bias (Effron and Knowles 2015, Solomon and Hall 2023), offsetting any advantage from such connections. We therefore hypothesize:

Hypothesis 3: The ameliorating effect of community inclusion on the negative relation between racial diversity and support for public service organizations is stronger in communities where members of different groups have similar values.

Moderating role of organizational representativeness

A second factor that may impact the negative effect of community diversity on support for organizations providing public services is the extent to which those organizations are representative, i.e., whether different groups receive services from the same organizations or not. In communities where public service organizations are relatively representative, these organizations may serve as a locus for members of different groups to connect and interact, thus enabling collective action within the community (Longhofer et al. 2019, Hurst et al. 2025). Greater representativeness of organizations providing public services will also create a natural convergence of interests among members of different groups, since they will all stand to directly benefit from supporting such organizations, and may be less concerned about the investments they make only helping other groups. Interactions among members of different groups in a context where both are receiving public services together may also help groups appreciate their common needs, and serve as a basis of greater civility and respect to other groups (King et al. 2011), as well as inspire greater trust in and cooperation with such organizations (Lucero et al. 2022).

As with community shared values, we expect organizational representativeness to not only directly moderate the negative effect of community diversity, but to serve as a complement to community inclusion. Organizational representativeness is likely to further strengthen bonds between members of different groups formed elsewhere, with ties within and outside organizations mutually strengthening each other (Mouw and Entwisle 2006), habits of civility and civic participation learned within organizations bolstering engagement between individuals connected to each other outside the organization (Pateman 1970, Hurst et al. 2025, Battilana et al. 2025), and organizations serving as community spaces where members of groups that are already connected to each other can interact and organize (Rao and Dutta

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2012, Longhofer et al. 2019). Conversely, the benefits of community inclusion may be undermined if the organizations within the community remain relatively segregated, since this may weaken the bond between community members and, at the very least, make it less likely that they will see supporting such organizations as a common cause. Even otherwise inclusive communities may be less likely to support and trust organizations that they see as unrepresentative of their community (King et al 2011, Lucero et al 2022). We therefore predict:

Hypothesis 4: The ameliorating effect of community inclusion on the negative relation between racial diversity and support for public services organizations is stronger in communities where such organizations are racially representative.

DATA AND METHODS

Empirical context: Community support for U.S. public schools

We test our theoretical arguments in the context of U.S. public schools, specifically by looking at a community's financial support for its local public schools. We see this as an appropriate context to test our theory for several reasons. First, public schools are a classic example of public service organizations, providing a critical service—primary education—that offers private benefits but also advances the public interest (Trounstine 2015). Second, the quality of local schools is a salient community-level outcome in the United States. In addition to the direct benefits of better schooling for one's children, the quality of local schools is an important driver of housing values in a community, and is therefore an outcome that everyone in the community is likely to be aware of and interested in, irrespective of whether they have school-age children or not (Boustan 2012). Moreover, because access to public schools is typically determined by school district boundaries—meaning only those living in the community can enroll in local schools—the quality of local schools constitutes a bounded externality (Luo and Kaul 2019), i.e., it is non-excludable within the community, but excludable across community boundaries. Third, local financial support—generally in the form of local taxes—is a substantial source of revenues for most public schools in the U.S., so community support is highly consequential for the quality of local schooling. On average, 44% of revenues for public schools come from local sources—with the balance coming from state (47%) and federal (9%) sources—and local revenues account for more than half of all revenue for 36% of U.S.

public schools. Moreover, as discussed in more detail below, residents partly shape these revenues directly via their votes: they approve tax levies proposed by the school board through dedicated tax-levy referenda or authorize bond issuance through bond referenda that frequently appear on local ballots. Community support is also a costly commitment for the community, reflected in higher property taxes or other levies, so it is a credible indication of community support. Fourth, school districts are locally managed, by a locally elected board, making them an important form of community organization. Finally, not only have scholars long recognized the critical role of community support in driving organizational outcomes (Coleman 1988, Putnam 2000, 2007, Leana and Pil 2006, Nardi et al. 2024) but have also shown that interactions in schools are associated with community social capital (Longhofer et al. 2019).

Its relevance as a research context aside, public school spending is also an important socio-economic grand challenge. Ensuring inclusive and equitable quality education has been recognized by the United Nations as one of its Sustainable Development Goals (SDGs). Educational access is especially important for social equity: though much of the recent discussion of economic equity has focused on inequalities in income and wealth (Piketty, 2003; Piketty and Saez, 2006; Davis and Cobb, 2010; Cobb, 2016), such differences may not represent inequity so long as everyone has equal access to economic opportunities (Agarwal and Holmes 2019). Disparities in public school spending, however, reflect fundamental differences in access to opportunity (Rivera and Tilcsik 2023). Yet public school spending— i.e., what the government is spending on children's education—remains highly unequal in the U.S.[6], with the negative impact of these differences falling disproportionately on historically marginalized groups (Rauscher and Shen 2022). As Figure 1 shows, total per student spending (adjusted for cost of living) in the top decile of U.S. public schools was almost three and a half times as high as comparable spending in the bottom decile during the period of our study, and the top quartile of public schools spent over twice as much per student as the bottom quartile. As the figure also shows, these differences were primarily

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[6] Of course, spending alone does not determine school quality, yet as we show in supplementary analyses it is positively correlated with student learning outcomes, and it seems hard to argue that a school that spends three times as much per student as another school is not providing its students with a superior education on average.

driven by differences in support from the local community: the ratio of top to bottom decile spending was almost 5 for local spending but only about 1.5 for non-local spending.

*** Insert Figure 1 about here***

Variables and Data Sources

We test our hypotheses using a detailed panel of U.S. public school spending data. We combine multiple data sources to construct measures of racial diversity, community inclusion, shared values, school representativeness and community support for local schools. Our primary unit of analysis is the school district, which we believe maps well to our construct of community both in terms of its size and because school districts determine which public school children are eligible to attend. More pragmatically, school districts are the smallest unit for which we can get complete financial data for public schools across the United States. The sample period for our analyses runs from the 2009–2010 to the 2018–2019 school year. We begin with the 2009–2010 school year because it marks the start of a period of stable measurement in racial categories following the 2008 federal mandate for including biracial categories (Richards and Stroub 2020). We end our sample in 2018–2019 to avoid contamination by the effects of the Covid-19 pandemic, which posed a substantial shock to school districts from 2020 onward. Our data cover 49[7] U.S. states and the District of Columbia, giving us a final sample of 121,616 district-year observations[8] across 12,766 school districts[9].

Dependent variable

We measure local support for public schools in two ways. Our main measure is *per-pupil school spending from local sources*, calculated by dividing the total revenue from local sources (property taxes, tuition, donations, and other income) for a given school district and year by the number of students enrolled in that district in the same year, based on the Common Core Data (CCD) from the National Center for Education Statistics

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[7] We exclude the state of Hawaii where public schools are managed at the state level, with no school districts.

[8] This reflects the number of observations in our baseline model. We have missing data for some of our moderating variables in some district-years which cause some sample attrition in moderation analyses. We test the robustness of our results to this attrition by re-estimating all models using a fully balanced panel in Appendix A.

[9] School districts in the U.S. are relatively stable during our sample period, so our main analyses treat school district boundaries as given. We examine changes to school district boundaries in analyses presented in Appendix B.

(NCES). All dollar amounts are adjusted to 2018 dollars using the consumer price index for consistency. This measure has the advantage that it is consistently recorded across time and communities and fully and directly captures the extent to which a community invests in its local schools. One challenge with it, however, is that many elements of local spending may not be directly under the control of the community or may be determined by formula, so our main measure may reflect general changes in a community's economic conditions (which impact school revenues) rather than the community's deliberate choice to invest more in local schools.

To address this concern, we use *per-pupil voter-approved bond amount* issued by the school district as a second measure of local support. As mentioned, school districts can vote to approve new bond issues—issuing new debt repayable through future taxes—to raise additional funds for their local schools (typically for capital investments). The successful issuance of such bonds, which are proposed and approved through referenda organized by school district residents, thus provides a direct measure of a community's collective decision to invest in its schools (Rugh and Trounstine 2011, Trounstine 2016). To construct this measure, we compile a new dataset of voter-approved school district bonds by analyzing the official statements of 100,298 bonds issued by school districts, collected from the Electronic Municipal Market Access (EMMA). This allows us to identify 10,167 unique school tax elections held by 3,182 school districts during the period of our panel, with the total approved amounts equal to about 9% of all revenue raised by school districts across the U.S. from local sources combined. It is also roughly equal to 50% of the amounts contributed by the federal government to U.S. public K–12 education during that time. We construct our measure of the per-pupil bond amount by dividing the total amount approved in the school tax referenda by the district's total enrollment in the year the bond was approved. We focus on the bond amount approved rather than whether a bond was passed or not, because prior work has shown that diverse communities pass fewer but larger bonds, so focusing on bond amount approved allows us to combine these two effects (Rugh and Trounstine 2011). Note that this measure takes the value of zero when either no bond referenda were put forth or when they failed to pass, consistent with the idea that in either case the community is choosing not to invest more in its local schools. Though this per-pupil bond measure unambiguously captures the community's decision to

invest in local public schools, it is also limited in that a lack of new bond issues does not necessarily mean a lack of support for public schools—residents might support schools in other ways (e.g., through donations)—which is why we choose to triangulate across two different dependent variables to assess local support.

Independent variables

Our primary independent variable is the *racial diversity* within each school district, which we measure using student enrollment data by race from the CCD. We calculate the Herfindahl-Hirschman index across six racial categories—American Indian, Asian, Black, Hispanic, White, and Other Races—which estimates the likelihood that any two randomly selected students in a school district will be from different racial groups. To ensure the robustness of our results, we also use racial entropy based on the same racial categories, calculated as $\sum_i \pi_i \ln\left(\frac{1}{\pi_i}\right)$, and get consistent results. Note that this measure is based on the racial composition of students in the district rather than all residents. An alternative would be to use data from the American Community Survey (ACS) to measure racial diversity in the community more generally. We prefer to use the CCD data for three reasons. First, it more directly measures the diversity of the population being served by our organization of interest (public schools). Second, the CCD provides annual measures, while ACS estimates at the school district level are five-year moving averages, which are less suitable given that our unit of analysis is district-year. Third, the ACS changed its coding of race several times during our study period, which makes measuring racial diversity in a comparable way over time challenging using these data. Prior research has shown that these changes in coding adversely affect the reliability of ACS race variables, especially for within-unit comparison (e.g., Arias et al. 2025, Sabol et al. 2025) and the census bureau itself warns against comparing across overlapping ACS surveys over time (US Census Bureau 2024). Therefore, we refrain from doing so for our main explanatory variable. Moreover, the correlation between our measure and measures using the ACS variables is 0.87, so we do not see using CCD as introducing bias.

We construct two different measures of community inclusion: a measure of *community residential integration*, which captures the extent to which people from different races live close to each other; and a measure of *community connectedness*, which captures the extent to which members of different groups in the

community interact with each other socially[10]. These two measures thus reflect different aspects of inclusion as discussed in our theory: contact or propinquity between members of different races, and the density of social ties and interactions between different groups. Theoretically, we expect both aspects of inclusion to have the same effect (which is why we did not offer separate hypotheses for the two measures), so by measuring inclusion in both ways we seek to not only triangulate our results across different aspects of inclusion, but also to explore whether the two aspects work in similar ways. As expected, the two measures of community inclusion are positively correlated, but not too strongly—in our final sample the correlation is 0.21—suggesting that they do capture distinct aspects of inclusion.

For our residential integration measure, we calculate one minus Theil's index of racial segregation across census tracts that overlap with each school district, using tract-level racial composition data from IPUMS NHGIS (Trounstine 2016, Manson et al. 2020). We use R Segregation package for this calculation (Elbers 2021). The overlaps between census tracts and school districts are identified using the Geographic Relation Files (GRFs) provided by the NCES Education Demographic and Geographic Estimates (EDGE). On average, a school district in our sample overlaps with 8.4 census tracts. Our community connectedness measure uses data from Opportunity Insights (Chetty et al. 2022a, b), which report social interactions at the level of Census ZIP Code Tabulation Areas. We aggregate these data to the school district level using NCES EDGE. The dataset captures all friendship links between Facebook users and has been validated as a reliable proxy for real-world social connectedness within communities. One drawback of this measure is that it captures connectedness across different economic groups rather than specifically across different racial groups. Nevertheless, we think it is a reasonable proxy for the willingness of members of a community to socialize with those very different from them. In any case, we know of no other measure that would capture

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[10] In addition to community residential integration and community connectedness, we also demonstrate the robustness of our results using two additional measures of community inclusion: (1) a cellphone diversity exposure measure, which captures the probability that two individuals of different races are in close proximity based on cellphone data within 15-minute temporal windows, relative to neighborhood diversity and (2) a district's racial climate, based on reports of racial harassment against minorities from the Civil Rights Data Collection (CRDC). Appendix C replicates the results of our main analyses (Tables 2 and 3) using these alternative measures.

social connections between members of different races at the level of granularity and the scope of coverage we need.

To measure *shared values* within the community, we build on work in political science that has examined differences in voting patterns between members of different races as a measure of racial polarization (Hajnal and Trounstine 2014, Trounstine 2016). Specifically, we use existing data on racial voting patterns from the 2016 and 2020 presidential elections constructed by Kuriwaki et al. (2024). We calculate one minus the weighted sum of the absolute differences between each racial group's vote share for the Republican candidate and the overall Republican candidate's vote share in the congressional district of the school district. The logic for this measure is that it captures how similar members of different races in the community are in their political ideologies, which we see as a an especially strong measure of shared values across races. That said, we acknowledge that the measure is relatively crude in so far as it requires mapping racial voting shares from 435 congressional districts to over 12,000 school districts in our sample. In Appendix D we therefore report results using two alternative measures of shared values: political homogeneity, defined as the absolute difference in vote share between Republican and Democratic candidates in state legislative elections; and religious integration, measured as the absence of Black churches in the school district.

To measure *organizational representativeness*, we draw on the Common Core of Data (CCD) to analyze the racial composition of schools within each school district. We calculate racial segregation between schools of the same level within a district, constructing the measure as one minus Theil's index of racial segregation, using the R Segregation package for this computation (Elbers 2021).

In addition to these main variables of interest, we include several control variables to account for potential confounds. First, we control for other characteristics of the school district that might be correlated with local funding. We control for non-local revenue per pupil, since school districts that receive higher levels of funding from state or federal sources may have less need for local support. We also control for overall district enrollment as well as the percentages of special education and English learning students since these might impact the level of funding needed.

Second, we control for various characteristics of the local community. We control for communities' median income and poverty rate, since richer communities with less poverty may be able to afford to spend more on local schools. We control for income inequality within the district, which has been shown to impact support for public education (Corcoran and Evans 2010, Boustan et al. 2013) by including the Gini coefficient of household incomes. We also control for the percentage of adults without a college education since higher educational attainment may be correlated with stronger willingness to invest in local schools. Further, we control for the cost-of-living index in the community to account for differences in the cost of operating schools, and for district asset income to account for the financial resources available to the district. We also control for the political affiliation of residents of the district, measured as the proportion of residents who voted Democrat in the most recent congressional election, to account for the possibility that political ideology may impact support for public schools.

Third, we control for the number of for-profit and non-profit charter schools within the focal or neighboring districts, as increasing access to alternative forms of local schools may impact community support for traditional public schools. We also control for variables that could influence the community's decision to propose and vote for new school bond referenda, including district debt per pupil and interest paid per pupil at the end of the last fiscal year[11]. We use the EDGE American Community Survey (ACS) specially estimated for National Center for Education Statistics (NCES) by Census Beureau, the Small Area Income and Poverty Estimates (SAIPE) program, and the county-level cost of living index from the Council for Community and Economic Research (C2ER) for these additional variables. Despite some high correlations, primarily between control variables, the mean Variance Inflation Factor (VIF) for our main analysis is only 1.06. These variables and their data sources are summarized in Appendix F.

Insert Table 1 about here

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[11] As discussed in Appendix E, our results are also robust to the inclusion of several additional control variables, including percentages of Black, Hispanic, Asian, American Indian, and other racial groups, the number of operating schools in the district, median property values, the percentage of students in each grade, and payments received from or made to other school systems by a school district. We omit these variables from our main analysis because they are highly correlated with some of our other controls, raising multicollinearity concerns.

Empirical Approach

We run panel regressions predicting per-pupil school spending from local sources, as well as the per-pupil voter approved bond amount, as a function of the community's racial diversity and community characteristics described above. Specifically, we estimate the following:

$$LocalSupport_{it} = \beta.RacialDiversity_{it} + \alpha.X_{it} + \gamma_i + \delta_t + \epsilon$$

for every school district i in year t, where X_{it} is a vector of control variables and γ_i and δ_t are school district and year fixed effects, respectively. Our main regressions use a panel OLS model, so we are estimating an association between racial diversity and local support (measured as either per-pupil local spending or per-pupil voter-approved bond amount), though as discussed later we also run instrumental variable (IV) regressions to assess causality. Given that all our models include fixed effects, we use a split-sample approach to test our moderation hypotheses (Shaver 2019).

RESULTS

Main Results

Our first two hypotheses are that increasing racial diversity in a community is associated with lowered support for local public schools, but this association is weakened in communities that are simultaneously diverse and inclusive. Table 2 tests these hypotheses. Model 1 presents an ordinary least squares (OLS) estimation predicting local school spending showing the baseline model with only controls. Model 2 adds our racial diversity measure, which takes a negative and significant coefficient, supporting Hypothesis 1. In terms of economic magnitude, the point estimate from Model 2 suggests that a 1 standard deviation increase in racial diversity within a district is associated with about a 1.9% decrease in local spending on public schools, or roughly a decrease of $140 per student using the sample average, which translates to about $ 520,000 per year for the average school district, or approximately the average salary of 8.4 teachers during the 2018-19 school year.

Insert Table 2 and Figure 2 about here

Model 5 in Table 2 presents the OLS estimation predicting our per-pupil bond amount measure using only controls. Model 6 further confirms support for Hypothesis 1, with a negative and statistically

significant coefficient for racial diversity when predicting the per-pupil amount of new debt issued to fund local schools[12]. The point estimate indicates that a one–standard deviation increase in racial diversity within a district is associated with approximately a 7% decrease in the per-pupil bond amount. We confirm the robustness of these results to a variety of alternative measures, controls, and samples, including alternative measures of racial diversity, alternative sample periods, and alternative specifications, including models with no controls (described in Appendix E). Figure 2a shows epistemic maps (King et al. 2021) plotting the coefficient of interest from these alternative regressions for our two outcome measures: per pupil local school spending and per pupil bond amount. In all, we show 24 different coefficients of the effect of racial diversity on support for local schools, and confirm that they are all negative and almost all are significant at a p-value below 0.05.

Next, we test for the moderating effect of community inclusion predicted by Hypothesis 2 using our two measures of community residential integration and community connectedness. Given our use of fixed-effects models, we use a split sample approach (Shaver 2019). In Table 2, Models 3a and 3b are OLS results predicting per pupil local spending split at the median value of community residential integration in the school district over the panel period[13]. We see that the coefficient of racial diversity is negative and significant in districts with low community residential integration, but statistically indistinguishable from zero in districts with high community residential integration. Further, z-tests comparing the coefficients across subsamples (reported below each pair of estimations) confirm that the coefficient of racial diversity in the low community residential integration subsample is statistically more negative than the corresponding coefficient in the high community residential integration subsample. In terms of economic magnitude, the point estimates in Model 3 imply that a one standard deviation increase in racial diversity decreases local school spending by about 4.6% or roughly about $335 per student in low residential

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[12] In Appendix G, we examine the mediating role of per-pupil bond amounts in the relationship between racial diversity and per-pupil local spending. We find a significant mediation effect, with per-pupil bond amounts linking racial diversity to local spending, and this effect is concentrated in the low-inclusion subsample, consistent with our theory. We also continue to see a direct effect of racial diversity on local support after accounting for mediation, implying that bonds are not the only channel for local school funding impacted by diversity.

[13] Appendix H shows coefficient plots from splitting the sample by quartiles.

integration school districts, but has essentially no effect on spending in school districts with high residential integration. Models 7a and 7b in Table 2 show the split sample analysis predicting per-pupil bond amounts and show a similar pattern of results.

We repeat the analysis for Hypothesis 2 using our measure of community connectedness from Chetty et al. (2022a, b). Models 4a and 4b present the split-sample analysis predicting per-pupil local revenue, and Models 8a and 8b show the corresponding estimates for per-pupil bond amounts. In both cases, the diversity penalty appears only in districts with low community connectedness; the coefficients for districts with high community connectedness are statistically indistinguishable from zero. Z-tests comparing the coefficients across subsamples (reported below each pair of estimations) confirm that the coefficients of racial diversity in the low community connectedness subsamples are statistically more negative than the corresponding coefficients in the high community connectedness subsamples. In terms of economic magnitude, the point estimates in Model 4a imply that a one standard deviation increase in racial diversity decreases local school spending by about 3.7%, or roughly $270 per student, in less socially connected districts, but has no significant effect in more socially connected districts. We find similar patterns for the moderating effect of community connectedness using our per-pupil bond amount measure. These results provide strong support for Hypothesis 2, suggesting that the diversity penalty documented in prior literature and in our first hypothesis is concentrated in communities that are diverse but not inclusive.

These results are further supported by Figure 2b, which presents epistemic maps of our test for Hypothesis 2 across 48 different specifications. Specifically, it plots the estimates and confidence intervals for the difference between the coefficients of racial diversity in communities with high versus low inclusion, using our two measures of inclusion: community residential integration and community connectedness. Across all specifications, racial diversity has a more negative effect on support for local schools in districts with low levels of community residential integration or low levels of community connectedness than in those with high residential integration or high community connectedness, with the majority of these coefficients being statistically significant at conventional levels. Overall, these results

provide strong support for the idea that diversity without inclusion has a negative effect on community support for public service organizations.

Insert Figure 3 about here

Though our results thus far show that both our measures of community inclusion—community residential integration and community connectedness—moderate the negative effect of diversity separately (and as noted, the two are only mildly correlated in our data), it is interesting to consider their combined effect. In particular, is it sufficient to have just one aspect of inclusion, either residential integration or connectedness, to offset the negative effects of diversity, or are both required? To explore that, we further split the sample by community residential integration × community connectedness, as shown in Figure 3. We find that the negative association between racial diversity and local support for public schools is strongest in districts where communities are relatively residentially segregated and less connected, while this effect is largely mitigated in districts that have either high residential integration or high community connectedness. Though preliminary and exploratory, these results suggest that these two aspects of inclusion may act as partial substitutes for each other in mitigating the negative effects of increasing diversity.

Moderating role of Community's Shared Values and Organizational Representativeness

Table 3 tests the moderating role of community shared values (H3) and organizational representativeness (H4). Models 9a–b present results predicting per-pupil local spending (Panel A) and per-pupil bond amounts (Panel B), with the sample split based on community shared values. We find that a one standard deviation increase in racial diversity in communities with low shared values is associated with approximately a 6% reduction in per-pupil spending and a 16% decrease in per-pupil bond amounts. In contrast, the association is indistinguishable from zero in communities with high shared values and is significantly larger in the high shared values subsample compared to low shared values communities for both outcomes. Models 11a-d and 13a-d in Panel A present results predicting per-pupil local spending, splitting the sample by community inclusion (measured as residential integration and community connectedness, respectively) and shared values. Models 11a-d and 13a-d in Panel B do the same with per

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pupil bond amount as our dependent variable. Consistent with our hypothesis, we find across all models that the coefficient of diversity is most negative for communities with low inclusion and low shared values, and significantly less negative for all other communities. For instance, a one–standard deviation increase in racial diversity is associated with an 8% reduction in per-pupil local spending in districts characterized by both low residential integration and low shared values (Model 11a Panel A). In contrast, this relationship is not statistically distinguishable from zero in communities with high shared values (Models 11b and 11d Panel A), regardless of their level of residential integration. In districts with high residential integration but low shared values (Model 11c Panel A), the decrease is more modest at around 3%. A similar pattern holds when we measure inclusion as community connectedness (Model 13a-d). These patterns are even more stark when using our per-pupil bond amount measure (Table 3, Panel B), where a one standard deviation increase in racial diversity is associated with a 24% lower per-pupil bond amount in Model 11a Panel B representing communities with low connectedness and low shared values, compared to an association indistinguishable from zero in Models 11b–d, Panel B for other communities. These results consistently support hypothesis 3.

We next examine the moderating effect of organizational representativeness. Models 10a–b present results predicting per-pupil local spending and per-pupil bond amounts in Panels A and B, respectively, with the sample split at the median level of organizational representativeness. We find that the negative association between racial diversity and community support for public schools—using both measures—is concentrated in districts with low organizational representativeness. In these districts, a one standard deviation increase in racial diversity is associated with approximately a 4% decrease in per-pupil spending and about a 22% decrease in per-pupil bond amounts. In contrast, the association is indistinguishable from zero in districts with high organizational representativeness. Next, we further split the sample simultaneously by community inclusion and organizational representativeness, as presented in Models 12a–d and 14a–d, using community residential integration and community connectedness as our inclusion measures, respectively. Across all models we see strong support for hypothesis 4. Specifically, Models 12a-d show that the coefficient of racial diversity on local school spending is most negative in districts where

community residents relatively segregated and schools are not racially representative (Model 12a Panel A), and insignificantly different from zero in other communities. We observe a similar pattern in Models 14a–d in Panel A. Once again, these findings are even starker when predicting per-pupil bond amounts. A one standard deviation increase in racial diversity is associated with a 25% decline in per-pupil bond amount in communities with low residential and organizational representativeness (Model 12a Panel B), and a 35% decrease in communities with low connectedness and low organizational representativeness (Model 14a Panel B). In contrast, racial diversity has no significant effect in other communities, except in Model 12c Panel B, where there is still a negative association of about 17% between racial diversity and per-pupil bond amount—though this effect remains less negative than in communities with both low inclusion and low organizational representativeness.

<div align="center">***Insert Table 3 about here***</div>

Supplementary analyses: An Instrumental Variable Approach

A key concern with the associational results reported so far is that local school spending may be influenced by various community-level factors (including the prior performance of local schools) that may also impact the level of racial diversity. We therefore undertake instrumental variable analyses to deal with this concern, accounting for the endogeneity of racial diversity within a school district by using a Bartik-style instrumental variable adapted from the labor economics literature (Card 2001, Goldsmith-Pinkham et al. 2020). Specifically, we use the average *predicted inflow of immigrants* into a region during the five year period prior to a given year—which is calculated by combining the inflow of international immigrants into the U.S. in those years (push factor) with the historical settlement patterns of immigrants from different home countries as recorded in the 1980 Census (pull factor); Appendix I provides more details on how this instrument is calculated. The logic for this instrument is that new international immigrants tend to settle in locations where others from their home country have previously settled (Bartel 1989, Card 2001, Jaeger 2007, Goldsmith-Pinkham et al. 2020), so an increase in immigration from a given country will result in a predicted increase in immigration from that country to communities where others from that country have previously located, thus increasing that community's racial diversity (relevance condition) but

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such immigration should not otherwise impact local school spending, except through its impact on racial

diversity (exclusion condition)[14], making it a valid instrument.

While the instrument passes conventional diagnostics for instrument strength, with first-stage

Cragg-Donald Wald F statistic of 1726 well above Stock–Yogo (2002) critical threshold of 16.38 for 10%

distortion, we caution that this IV strategy captures only one specific channel of increasing diversity:

inflow of international immigrants. As such, our estimates reflect a Local Average Treatment Effect

(LATE) that applies to districts whose racial diversity changes primarily due to immigrant inflows and

such increases in diversity may differ systematically from others[15].

Table 4 presents the results for our instrumental variable approach. We find that our results remain robust

to the use of instrumental variables to account for the endogeneity of racial diversity and racial integration;

specifically, we continue to see a negative and significant effect of racial diversity on local support for

public schools in less inclusive communities, especially if they have low shared values or low

organizational representativeness. In fact, Table 4 even shows some evidence of a positive effect of

diversity in communities with high inclusion and strong shared values. These findings increase our

confidence that the associational results presented so far are plausibly causal.

<center>***Insert Tables 4 and 5 about here***</center>

Supplementary analyses: educational achievement

Since we are ultimately interested in the quality of education students in different communities

receive rather than the amount spent on them, we run supplementary analyses to confirm that local

spending on public schools does, in fact, correlate with the quality of student outcomes. These analyses

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[14] We also followed the guidance of Goldsmith-Pinkham et al. (2020) by implementing a leave-one-out strategy—excluding the actual inflow of immigrants from a given region into the focal county and using only the inflow of immigrants from region r into the U.S. who could have settled in the focal county but did not. Thus, improving the plausibility of exclusion restriction criterion.

[15] In particular, increasing diversity as a result of immigrants joining existing enclaves may have a systematically different effect than other drivers of diversity, making our estimates more conservative if successful existing enclaves are associated with stronger embeddedness, and less conservative if immigrants that move to such areas are less apt to assimilate. More generally, our instrumental variable strategy may specifically capture the impact of entry by international immigrants rather than all increases in racial diversity. We see this as less of a concern because increasing international immigration is a part of increasing diversity in the community, and as such is less an alternative explanation than a nuanced version of our theory.

also enable us to examine the direct effect of racial diversity on student outcomes. It could be that increasing racial diversity improves student outcomes by bringing them in contact with new ideas and perspectives, and that the reduction in local spending we document reflects the reduced need for such spending given the boost to student learning from racial diversity.

The analysis in Table 5 examines these possibilities. It reports the results of an OLS panel regression (with district × cohort × subject, grade, and school year fixed effects) regressing student outcomes in the same cohort of the same district on local and non-local spending, racial diversity, and the full set of control variables from our main analyses over time. Panel A uses student achievement in math as the outcome variable, while Panel B uses reading achievement. Across all models, we find a consistently positive and significant relationship between student achievement and both local and non-local spending, consistent with prior work (e.g., Jackson et al. 2016, Lafortune et al. 2018). While these results are associational, they strongly suggest that reductions in public school spending are likely to worsen organizational performance in terms of student outcomes. Further, Table 5 shows no evidence of a positive association between racial diversity and student achievement; if anything, increasing diversity is negatively associated with reading outcomes (but only marginally with math outcomes).

Other supplementary analyses

We run several additional analyses to confirm the robustness of our findings, that are reported in Appendices for the sake of brevity. First, as mentioned, we undertake supplementary analyses to examine the effect of racial diversity on school district boundaries, recognizing that these boundaries are not static and may change over time. As described in Appendix B, this analysis shows that the probability of school district secession—i.e., of a district splitting into two—increases with increasing racial diversity, and that the new school district created as a result tends to be more racially homogenous than the district from which it secedes. The power of this analysis is limited, since we have at most thirty two instances of school district secession in our sample. Nevertheless, these findings are strongly consistent with the idea that increasing racial diversity causes local support for public schools to decrease, potentially to the point where members of one group prefer to separate and form their own, more exclusive district.

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Second, one might argue that our focus on local school spending, while relevant to our theory, is too narrow. In particular, if increasing racial diversity in a community is associated with greater non-local support from state and federal sources, then such increases could offset declines in local spending, leaving students no worse off. To address this concern, we conduct a supplementary analysis predicting total per-pupil spending from non-local sources as well as from all sources (Appendix J). The results show that racial diversity within a community does not have a significant negative effect on non-local spending on local schools (if anything, we see some evidence of a positive effect of diversity on non-local funding in inclusive areas), consistent with the effect of diversity being local, and that the overall impact of racial diversity on total funding (local and non-local) is negative in less inclusive communities.

Finally, we conduct a set of additional analyses to rule out plausible alternative explanations, as shown in Appendix K. These analyses demonstrate that our results remain robust when we limit the sample to districts with a smaller geographical span (to rule out the possibility that residential segregation or limited cross-class interactions are simply artifacts of area size), and to districts with minimal spending gaps between schools (to confirm that our findings are not driven by overly broad school districts).

DISCUSSION

Our study contributes to research on addressing societal grand challenges (Mahoney et al. 2009, George et al. 2016, Volmar and Eisenhardt 2025). Existing scholarship in this area suggests that many solutions to these challenges require action at the community level (Ostrom 1990, Luo and Kaul 2019, McGahan and Pongeluppe 2023, Jeong et al. 2025) and that community support for organizations seeking to advance the public interest may thus be critical to addressing local challenges and building community resilience (Yue 2015, Berrone et al. 2016, Rao and Greve 2018, Ruebottom et al. 2025, Stein and Minniti 2025). A key challenge with this is that it means that more racially diverse communities may find it harder to support such organizational solutions given their lower levels of civic engagement, and may therefore be left behind.

Our study explores the boundary conditions of this problem, seeking to understand the conditions under which increasing racial diversity within a community will undermine its support for public service organizations. We argue and show that this negative effect of diversity is ameliorated in more inclusive communities where people from different groups live and interact together, especially when such community inclusion is complemented by shared community values and organizational representativeness. Our study thus sheds new light on the conditions under which community-based solutions to societal challenges are most viable (Ostrom 1990, Luo and Kaul 2019, Jeong et al. 2025), suggesting that such solutions may be most effective in inclusive communities whose members share common values, but may fail in diverse and polarized communities, where other non-community based solutions may be required. In doing so, we also extend scholarship on the effects of racial diversity on civic participation (Alesina et al. 1999, 2019, Trounstine 2016, Longhofer et al. 2019, McGhee 2021) by documenting the conditions under which racial diversity within a community is more or less likely to lead to lower investments in public goods and services.

Further, by highlighting the role of representativeness at the organizational level, our work speaks to research on organizational racial segregation (Ferguson 2015, Ferguson and Koning 2018, Zhang 2022, Dederichs and Wiertz 2025). Prior work has shown that representativeness at the organizational level can help overcome the negative effects of increasing community diversity on civic participation if such organizations serve as bridging organizations (Longhofer et al. 2019); our study extends this insight by showing that organizational representativeness and community inclusion act as complements. Not only do we show that organizational representativeness strengthens the moderating effect of community inclusion, but that organizational representativeness is most effective at playing a bridging role in communities that are racially inclusive. More generally, our study contributes to research on the relationship between organizations and the communities in which they operate, offering a rich and nuanced account of the conditions that drive community support for public service organizations, and thus answering the call for more work at the intersection of civic participation and organization theory (Battilana et al. 2025).

Our work also contributes to research on racial diversity by highlighting the complementarity between diversity and inclusion, responding to recent calls to further examine the relationship between them (Shore et al. 2018, Hellerstedt et al. 2024, Van Bommel et al. 2024, Nardi et al. 2024). Though our theory and analyses are primarily at the community level, we would argue that our study has implications for managing diversity within organizations as well. After all, there is a long tradition of organizational scholarship leveraging concepts of social capital developed at the community level to offer insights on organizational outcomes (Nahapiet and Ghoshal 1998, Adler and Kwon 2002, Burt 2007, Sorenson and Rogan 2014), including work on the effect of organizational social capital on organizational performance (Leana and Pil 2006, Pil and Leana 2009, Gargiulo et al. 2009), growth (Galaskiewicz et al. 2006), innovation (Laursen et al. 2012) and internal cooperation (Burt et al. 2022). More specifically, work on diversity within organizations has often found equivocal results (Roberson et al. 2017, Nishii et al. 2018), which scholars have argued may be because while increasing diversity helps to bring in new ideas and perspectives it also reduces internal cohesion and coordination (Corritore et al. 2020, Lix et al. 2022, Reagans et al. 2023). If, as research in this tradition suggests, increasing diversity within an organization may exacerbate internal conflict (Pelled et al. 1999, Mannix and Neale 2007) and undermine performance (Tsui et al. 1992, Reagans et al. 2004, Dumas et al. 2024) unless appropriately managed (Nishii et al. 2018, Levine et al. 2021, Hoang et al. 2022, Waldman and Sparr 2023), then our study suggests that one way to mitigate the negative effect of diversity may be by creating a more inclusive culture (Roberson 2006, Nardi et al. 2024, Randel 2025) where people within the organization work in close proximity to each other, interact socially, and have shared values.

Theoretical insights aside, our work also offers new insight into the specific grand challenge of providing equitable access to quality education. By showing that racial diversity may undermine community support for local public schools, but that this negative effect may be ameliorated by community inclusion as well as by organizational representativeness, we offer new insight into a fundamental form of socio-economic inequity (Putnam 2007, Agarwal and Holmes 2019, Rivera and Tilcsik 2023). In particular, our work has implications for school funding policies, suggesting that the

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substantial reliance of U.S. public schools on local revenues may exacerbate inequities and put more diverse communities at a disadvantage. As such, our work supports policies to constrain the reliance of public schools on local property taxes implemented in many states—such as the 1971 Serrano vs. Priest decision of the California State Supreme Court or Michigan's Durant vs. the State of Michigan (1997) decision—though our data suggest that reliance on local funding for public schools remains high in these states. Further, though scholars and policy makers have long championed greater school integration, the arguments for a more diverse student body have generally focused on the learning advantages of having students who bring different perspectives to the classroom. Our study suggests that racial representativeness of schools may also help foster stronger community support for local schools, especially in inclusive communities, improving educational outcomes by increasing the resources made available to schools by the local community. This insight is especially important because the question of whether educational institutions should take active steps to promote racial representativeness remains a topic of ongoing debate as reflected in the U.S. Supreme Court's recent 'Parents Involved' and 'Students for Fair Admission vs. Harvard' decisions.

As with any study, ours has several limitations, which provide opportunities for future work. First, our analysis is limited to a single country—the United States—and to a single community outcome—local support for public schools. Future work could test our predictions in other contexts, especially emerging markets (Glennerster et al. 2013), as well as expand our analyses to consider whether racial diversity has similar effects at the state or federal level as at the community level, given that our supplementary analyses show that non-local support has a similar relationship with educational attainment as local support. Future work could also explore other forms of community diversity, such as those based on social class, political or religious affiliation, or income, since these forms of diversity may impact support for organizations providing public services differently (Corcoran and Evans 2010, Boustan et al. 2013). Second, while we have made some effort to achieve causal identification through the use of an instrumental variable to account for the endogeneity of racial diversity within the community, it is hard to make a definitive causal claim, especially since community characteristics are almost always correlated, and we are not able to

instrument for our moderators. In particular, though we see no evidence of our instrument being weak, it is certainly plausible that our focus on diversity resulting from inflows of immigrants may not be representative of all increases in diversity. Future work could look more directly at the effect of immigration on community support for public service organizations. Future work could also explore differences between an increase in diversity as a result of the inflow of minority groups, versus an increase in diversity as a result of the outflow of majority groups, as in studies of so-called 'white flight' (Saiz and Wachter 2011).

To conclude, we show that racial diversity within a community is negatively associated with the community's support for public service organizations, but that this negative relationship is ameliorated by community inclusion, especially if different racial groups in the community have shared values and the organizations providing public services are representative of the community's demographics. In doing so, we contribute to research on organizational solutions to grand challenges by examining the conditions under which such solutions may be able to rely on support from the local community, while also extending research on the complementarity between diversity and inclusion to the community level.

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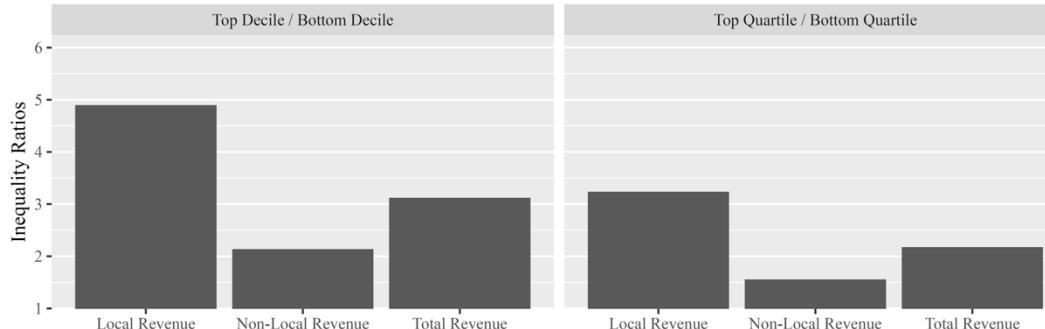
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TABLES & FIGURES

Figure 1: *Disparities in Public School Spending by Revenue Source*

Note: The left panel illustrates the spending ratio of U.S. traditional public schools from various funding sources, comparing the top 10% to the bottom 10% in total spending. The right panel similarly compares the top 25% to the bottom 25%. Revenue data comes from Common Core Data (CCD), our main source, with all amounts adjusted to 2018 dollars and normalized for county-level cost of living, according to the Council for Community and Economic Research data.

Table 1: Summary Statistics

	Mean	SD	Min	Max	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	(22)	(23)	(24)
1. Per Pupil Local Revenue (log)	0.31	1.64	0.00	15.73	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
2. Per Pupil Bond Amount (log)	8.63	0.72	0.00	11.77	-.02	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
3. Racial Diversity	0.28	0.20	0.00	0.75	.08	-.01	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
4. Racial entropy	0.53	0.32	0.00	1.43	.08	.01	.99	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
5. Comm. Res. Integration	0.92	0.06	0.32	1.00	.00	.10	-.10	-.10	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
6. Comm. Connect.	0.84	0.16	0.29	1.35	-.00	.37	-.22	-.18	.21	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
7. Org. Representativeness	0.98	0.04	0.00	1.00	-.02	.11	-.24	-.25	.35	.13	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
8. Shared Values	0.99	0.01	0.72	1.00	-.01	.06	-.24	-.24	.19	.18	.37	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
9. Non-Local Revenue Per Pupil (log)	8.89	0.46	4.94	11.62	-.05	-.40	-.08	-.10	-.07	-.13	-.04	.05	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.	.
10. Outstanding Debt Per Pupil (t-1)	7849	9886	0.00	761764	-.01	.21	.03	.04	-.02	.10	-.01	-.02	-.05	1	.	.	.	.	.	.	.	.	.	.	.	.	.	.
11. Predicted Immigrants Inflow	0.00	0.00	0.00	0.03	.04	.20	.32	.34	-.03	.05	-.16	-.14	-.10	.09	1	.	.	.	.	.	.	.	.	.	.	.	.	.
12. HH Median Income	61480	24899	9394	287356	.01	.48	.07	.11	.11	.36	.03	-.00	-.36	.19	.43	1	.	.	.	.	.	.	.	.	.	.	.	.
13. Median Property Price	197867	171493	10417	2127661	.02	.40	.20	.23	.08	.24	-.06	-.05	-.32	.15	.58	.76	1	.	.	.	.	.	.	.	.	.	.	.
14. Household Income Gini	0.42	0.05	0.09	0.78	.01	.01	.21	.21	-.12	-.22	-.17	-.12	-.06	-.01	.08	-.13	.14	1	.	.	.	.	.	.	.	.	.	.
15. Poverty Rate (%)	0.18	0.10	0.00	1.00	-.01	-.47	.11	.07	-.18	-.58	-.13	-.10	.32	-.15	-.17	-.67	-.42	.31	1	.	.	.	.	.	.	.	.	.
16. Special Education Programs (%)	0.14	0.05	0.00	1.00	-.04	.10	.05	.06	.02	.10	.05	.10	.19	-.03	-.08	-.06	-.09	-.02	.00	1	.	.	.	.	.	.	.	.
17. English Learning Programs (%)	0.05	0.09	0.00	0.96	.05	-.17	.31	.29	-.14	-.19	-.20	-.11	.09	-.01	.33	-.06	.14	.10	.23	-.20	1	.	.	.	.	.	.	.
18. Students Achievements (Math & Reading Avg)	0.02	0.35	-3.74	1.62	-.02	.46	-.18	-.13	.20	.45	.14	.07	-.38	.13	.12	.62	.45	-.12	-.67	-.03	-.32	1	.	.	.	.	.	.
19. Adults without College Degree (%)	0.77	0.14	0.07	1.00	-.02	-.52	-.18	-.23	-.07	-.31	.06	.06	.39	-.19	-.42	-.77	-.73	-.17	.55	.06	.06	-.63	1	.	.	.	.	.
20. District Enrolment (log)	7.14	1.40	2.40	13.42	.06	-.11	.35	.40	-.34	-.12	-.47	-.41	-.12	.14	.27	.17	.17	.13	-.05	-.08	.19	.04	-.25	1	.	.	.	.
21. Num. For-Profit Charters	0.06	1.14	0.00	111.00	.01	-.01	.06	.06	-.10	-.04	-.21	-.23	-.00	.01	.03	-.02	-.01	.05	.05	.00	.03	-.03	-.01	.13	1	.	.	.
22. Num. Non-Profit Charters	0.40	3.60	0.00	308.00	.02	-.01	.11	.12	-.16	-.04	-.33	-.29	-.00	.03	.10	-.02	.03	.10	.06	-.02	.10	-.07	-.04	.24	.29	1	.	.
23. Cost of Living Index	104.81	14.19	81.37	189.84	.00	.34	.25	.29	.06	.24	-.13	-.05	-.07	.07	.69	.53	.71	.05	-.31	-.03	.32	.21	-.50	.16	.00	.08	1	.
24. Voted Democrat (%)	0.40	0.20	0.00	1.00	-.02	.12	.10	.11	-.06	-.01	-.12	-.13	.01	.03	.35	.18	.30	.03	-.04	.04	.14	.01	-.22	.16	.05	.08	.40	1

Table 2: Racial Diversity and Support for Local Public Schools

	DV: Per Pupil Local Revenue						DV: Per Pupil Bond Amount					
			Comm. Residential Integration		Comm. Connectedness				Comm. Residential Integration		Comm. Connectedness	
			Low	High	Low	High			Low	High	Low	High
	M1	M2	M3a	M3b	M4a	M4b	M5	M6	M7a	M7b	M8a	M8b
Racial Diversity		-0.02***	-0.05***	-0.00	-0.04***	-0.00		-0.07*	-0.14*	-0.03	-0.15***	0.00
		(0.01)	(0.01)	(0.01)	(0.01)	(0.01)		(0.03)	(0.05)	(0.03)	(0.04)	(0.04)
HH Median Income(log)	0.04***	0.04***	0.04***	0.03***	0.03***	0.03***	0.06**	0.06**	0.12***	0.03	0.07*	0.05+
	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.00)	(0.02)	(0.02)	(0.03)	(0.02)	(0.03)	(0.03)
District Enrolment (log)	-1.06***	-1.06***	-0.94***	-1.13***	-1.08***	-1.02***	0.31***	0.32***	0.51***	0.21*	0.03	0.59***
	(0.02)	(0.02)	(0.03)	(0.03)	(0.03)	(0.03)	(0.08)	(0.08)	(0.14)	(0.09)	(0.11)	(0.11)
Poverty Rate (%)	-0.01***	-0.01***	-0.02***	-0.01***	-0.01***	-0.01***	-0.01	-0.01	0.03	-0.03+	-0.00	-0.03
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
Adults without College Degree (%)	-0.01	-0.01+	-0.01	-0.01	-0.00	-0.01+	-0.04	-0.04	-0.03	-0.05	0.02	-0.09*
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.03)	(0.05)	(0.03)	(0.04)	(0.04)
Special Education Programs (%)	0.01***	0.01***	0.01***	0.01***	0.01***	0.01***	0.01	0.01	0.02	-0.00	0.01	0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)
English Learning Programs (%)	-0.01*	-0.01*	-0.01	-0.01	-0.01+	-0.01	-0.03+	-0.03+	-0.06*	0.00	-0.05*	-0.02
	(0.00)	(0.00)	(0.01)	(0.01)	(0.00)	(0.01)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.04)
Num. For-Profit Charters	-0.01*	-0.01*	-0.01*	-0.01+	-0.00*	-0.02	0.00	0.00	0.01	-0.09	0.01	-0.14
	(0.00)	(0.00)	(0.00)	(0.01)	(0.00)	(0.01)	(0.02)	(0.02)	(0.02)	(0.17)	(0.02)	(0.13)
Num. Non-Profit Charters	0.01**	0.01**	0.01**	0.02	0.01*	0.03**	0.01	0.01	0.00	0.14	-0.02	0.23*
	(0.00)	(0.00)	(0.00)	(0.02)	(0.00)	(0.01)	(0.02)	(0.02)	(0.02)	(0.19)	(0.02)	(0.11)
Outstanding Debt Per Pupil (t-1)	0.03***	0.03***	0.04***	0.02**	0.03***	0.03***	-0.26***	-0.26***	-0.36***	-0.21***	-0.29***	-0.32***
	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.00)	(0.05)	(0.05)	(0.04)	(0.06)	(0.07)	(0.03)
Voted Democrat (%)	-0.01	-0.01	-0.01*	-0.00	-0.01+	-0.01	-0.02	-0.02	-0.02	-0.03	0.03	-0.09
	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.01)	(0.04)	(0.04)	(0.06)	(0.06)	(0.05)	(0.06)
Non-Local Revenue Per Pupil (log)	-0.05***	-0.05***	-0.05***	-0.06***	-0.06***	-0.05***	-0.00	-0.00	0.02	-0.02	-0.02	0.03
	(0.00)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)	(0.02)	(0.02)	(0.03)	(0.02)	(0.02)	(0.02)
Num.Obs.	121616	121616	60419	61193	60399	60111	121616	121616	60419	61193	60399	60111
R2	0.964	0.964	0.965	0.963	0.961	0.962	0.146	0.146	0.151	0.144	0.152	0.143
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Z (diff. Diversity)			3.58 (p = 0.00)		2.93 (p = 0.00)				1.72 (p = 0.04)		2.65 (p = 0.00)	

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001, *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

DV: Per Pupil Local Revenue - ($\beta_{FullSample}$)

DV: Per Pupil Bond Amount - ($\beta_{FullSample}$)
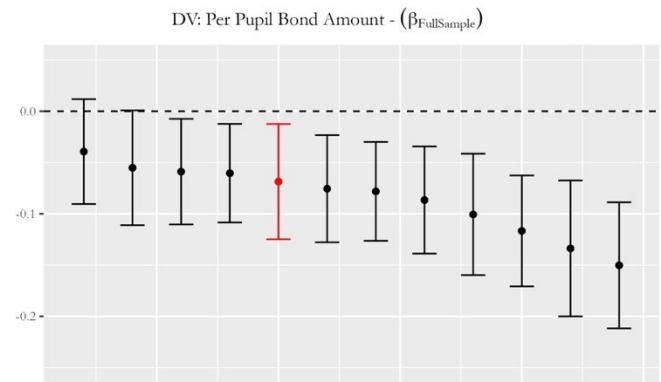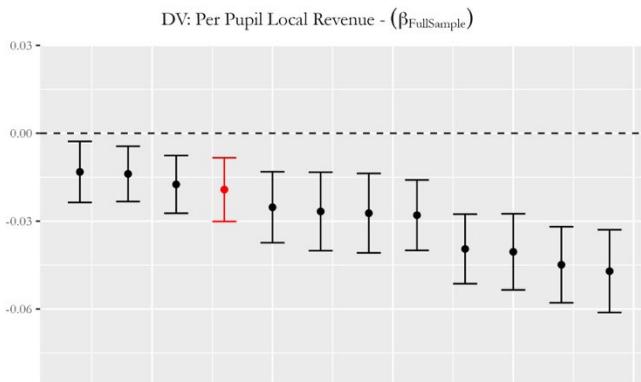
Figure 2b : Epistemic Maps of H2

DV: Per Pupil Local Revenue - ($\beta_{Low} - \beta_{High}$)

DV: Per Pupil Bond Amount - ($\beta_{Low} - \beta_{High}$)
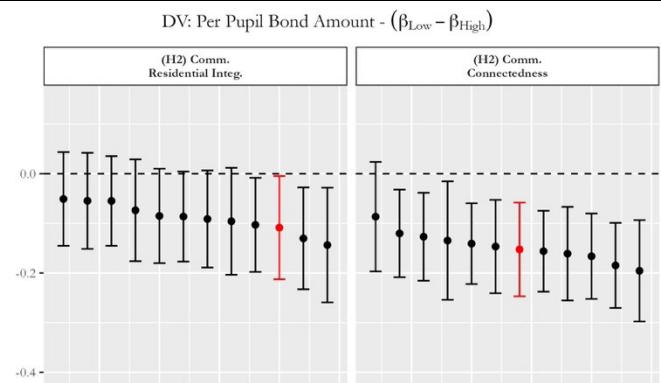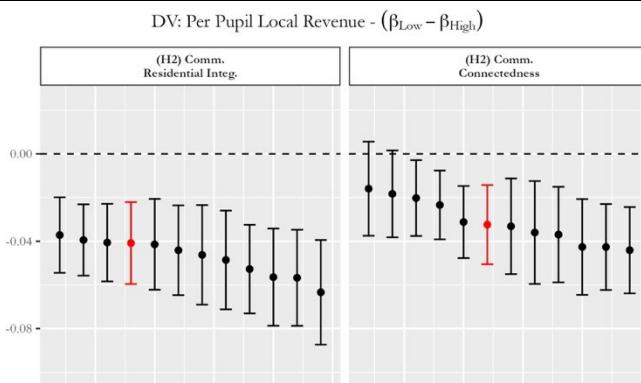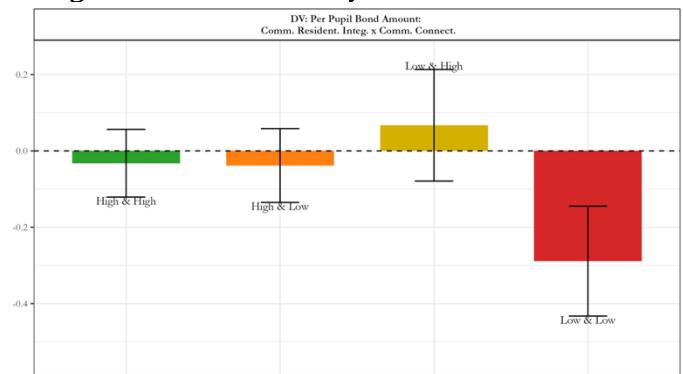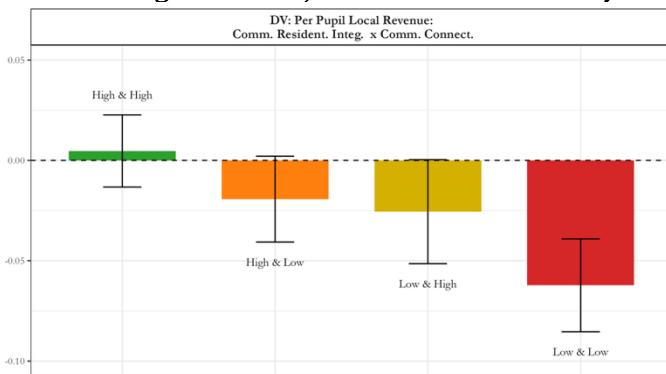
Figure 3: The joint effect of community residential integration and community connectedness

DV: Per Pupil Local Revenue:
Comm. Resident. Integ. x Comm. Connect.

DV: Per Pupil Bond Amount:
Comm. Resident. Integ. x Comm. Connect.

Note: The error bars represent 95% confidence intervals

Table 3: *The Role of Shared Values and Organizational Representativeness*

	Shared Values		Org. Representativeness		Community residential integration								Community Connectedness							
					Low		High		Low		High		Low		High		Low		High	
					Shared Values				Org. Representativeness				Shared Values				Org. Representativeness			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
	M9a	M9b	M10a	M10b	M11a	M11b	M11c	M11d	M12a	M12b	M12c	M12d	M13a	M13b	M13c	M13d	M14a	M14b	M14c	M14d
Panel A: Per Pupil Local Revenue																				
Racial Diversity	-0.06***	0.00	-0.04***	-0.01	-0.08***	-0.00	-0.03*	0.00	-0.06***	-0.01	-0.00	-0.01	-0.07***	-0.01	-0.04***	0.01	-0.06***	-0.02+	-0.02+	0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Num.Obs.	60013	61566	60539	61077	36153	24241	23860	37321	39409	21010	21128	40065	34731	25645	24907	35190	31444	28955	28839	31272
R2	0.969	0.961	0.969	0.960	0.968	0.962	0.969	0.960	0.969	0.960	0.969	0.961	0.961	0.960	0.974	0.953	0.965	0.957	0.969	0.956
Z (diff. Diversity)	5.09 (p = 0.00)		2.79 (p = 0.00)																	
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Per Pupil Bond Amount																				
Racial Diversity	-0.16***	-0.01	-0.22***	0.01	-0.24***	-0.01	-0.07	-0.01	-0.25**	0.03	-0.17*	0.00	-0.27***	-0.05	-0.01	0.01	-0.35***	-0.01	-0.07	0.02
	(0.05)	(0.04)	(0.06)	(0.03)	(0.07)	(0.08)	(0.06)	(0.04)	(0.08)	(0.07)	(0.08)	(0.03)	(0.06)	(0.06)	(0.07)	(0.05)	(0.08)	(0.05)	(0.08)	(0.04)
Num.Obs.	60013	61566	60539	61077	36153	24241	23860	37321	39409	21010	21128	40065	34731	25645	24907	35190	31444	28955	28839	31272
R2	0.138	0.157	0.145	0.151	0.146	0.160	0.129	0.157	0.149	0.155	0.137	0.150	0.141	0.168	0.138	0.149	0.152	0.157	0.140	0.147
Z (diff. Diversity)	2.53 (p = 0.01)		3.56 (p = 0.00)																	
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001, *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

Table 4: Supplementary Analysis – Instrumental Variable Approach

		Comm. Res. Integration		Comm. Connectedness		Shared Values		Org. Represent.		Community Res. Integration								Community Connectedness							
										Low		High		Low		High		Low		High		Low		High	
										Shared Values				Org Representativeness				Shared Values				Org Representativeness			
		Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
	M15	M16a	M16b	M17a	M17b	M18a	M18b	M19a	M19b	M20a	M20b	M20c	M20d	M21a	M21b	M21c	M21d	M22a	M22b	M22c	M22d	M23a	M23b	M23c	M23d
Racial Diversity		-0.23**	-0.01	-0.27***	0.29*	-0.22**	0.09	-0.14*	-0.01	-0.28**	-0.05	-0.14	0.14	-0.22**	-0.12	-0.03	0.02	-0.36***	-0.04	0.37	0.27*	-0.31***	-0.14	0.54+	0.24
		(0.07)	(0.07)	(0.06)	(0.12)	(0.07)	(0.06)	(0.06)	(0.08)	(0.10)	(0.10)	(0.10)	(0.08)	(0.08)	(0.16)	(0.10)	(0.09)	(0.08)	(0.09)	(0.26)	(0.12)	(0.08)	(0.12)	(0.31)	(0.14)
IV: Predicted Immigrants Inflow	0.12***																								
	(0.01)																								
Z (diff. Diversity)		2.26		4.04		3.31		1.22 (p = 0.11)																	
		(p = 0.01)		(p = 0.00)		(p = 0.00)																			
Num.Obs.	121354	60353	60997	60323	59957	60005	61312	60404	60950	36145	24183	23860	37125	39361	20992	21041	39956	34723	25577	24907	35036	31406	28917	28762	31195
R2	0.980	0.964	0.964	0.958	0.958	0.968	0.960	0.969	0.961	0.967	0.962	0.969	0.959	0.968	0.959	0.969	0.961	0.959	0.960	0.969	0.949	0.963	0.956	0.959	0.953
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Cragg-Donald Wald F statistic	1726.2	871.4	846.4	1161.3	271	1238.7	652.9	1232.7	546.1	636.9	260.7	570.7	388.2	741.2	127.7	429.3	419.3	973.8	299.6	72.6	252.3	967.7	269.1	62.9	192.3

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001: *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

Table 5: _Supplementary Analysis – School Spending and Students' Educational Achievement_

	Panel A: Student Achievements in Math			Panel B: Student Achievements in Reading		
	M24a	M24b	M24c	M25a	M25b	M25c
Local Revenue Per Pupil (log)		0.08***	0.08***		0.06***	0.06***
		(0.01)	(0.01)		(0.01)	(0.01)
Non-Local Revenue Per Pupil (log)	0.09***	0.09***	0.09***	0.06***	0.06***	0.06***
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Racial Diversity	-0.02*		-0.02+	-0.09***		-0.08***
	(0.01)		(0.01)	(0.01)		(0.01)
Comm. Res. Integration	-0.00	-0.00	-0.00	-0.00	-0.00	-0.00
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Comm. Org. Integration	-0.01***	-0.01***	-0.01***	-0.02***	-0.02***	-0.02***
	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Num.Obs.	505631	505631	505631	532446	532446	532446
R2	0.856	0.856	0.856	0.880	0.880	0.880
District x Cohort x Subject FE	Yes	Yes	Yes	Yes	Yes	Yes
Grade FE	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, _Notes:_ 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable. 3) We do not include our measures of community shared values and community connectedness due to their limited variance over time.

Appendices for

'Other People's Children'

Appendix A: Robustness Test Using Fully Balanced Panel

Table A.1: *Racial Diversity and Support for Local Public Schools*

		DV: Per Pupil Local Revenue					DV: Per Pupil Bond Amount			
		Comm. Residential Integration		Comm. Connectedness			Comm. Residential Integration		Comm. Connectedness	
		Low	High	Low	High		Low	High	Low	High
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
Racial Diversity	-0.02**	-0.05***	-0.00	-0.04***	0.00	-0.11**	-0.18**	-0.06	-0.22***	0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.03)	(0.06)	(0.04)	(0.05)	(0.05)
Num.Obs.	112550	56270	56280	56260	56290	112550	56270	56280	56260	56290
R2	0.967	0.967	0.967	0.963	0.964	0.148	0.151	0.145	0.155	0.142
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Z (diff. Diversity)		3.77 (p = 0.00)		3.70 (p = 0.00)			1.65 (p = 0.05)		3.24 (p = 0.00)	

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001, *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

Table A.2: *The Role of Shared Values and Organizational Representativeness*

					Community residential integration								Community Connectedness							
					Low		High		Low		High		Low		High		Low		High	
	Shared Values		Org. Represent.		Shared Values				Org. Represent.				Shared Values				Org. Represent.			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
Panel A: Per Pupil Local Revenue																				
Racial Diversity	-0.05***	0.00	-0.04***	-0.01	-0.07***	-0.01	-0.03+	0.01	-0.06***	-0.02	-0.01	0.00	-0.07***	-0.02	-0.04**	0.02+	-0.06***	-0.03*	-0.02	0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Num.Obs.	56260	56290	56270	56280	33760	22510	22500	33780	36400	19870	19870	36410	32780	23480	23480	32810	29370	26890	26900	29390
R2	0.970	0.964	0.970	0.964	0.969	0.964	0.970	0.964	0.969	0.963	0.972	0.964	0.963	0.964	0.974	0.956	0.966	0.961	0.970	0.959
Z (diff. Diversity)	4.41 (p = 0.00)		2.54 (p = 0.01)																	
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Per Pupil Bond Amount																				
Racial Diversity	-0.20***	-0.04	-0.26***	-0.01	-0.29***	-0.01	-0.08	-0.05	-0.26**	-0.03	-0.23*	-0.00	-0.31***	-0.12	-0.00	0.01	-0.38***	-0.06	-0.11	0.05
	(0.05)	(0.05)	(0.06)	(0.04)	(0.07)	(0.09)	(0.07)	(0.05)	(0.08)	(0.08)	(0.09)	(0.04)	(0.07)	(0.07)	(0.08)	(0.06)	(0.08)	(0.06)	(0.09)	(0.05)
Num.Obs.	56260	56290	56270	56280	33760	22510	22500	33780	36400	19870	19870	36410	32780	23480	23480	32810	29370	26890	26900	29390
R2	0.140	0.156	0.145	0.152	0.146	0.160	0.132	0.155	0.150	0.153	0.137	0.151	0.145	0.167	0.136	0.148	0.153	0.161	0.140	0.144
Z (diff. Diversity)	2.29 (p = 0.01)		3.43 (p = 0.00)																	
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001, *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

Appendix B: School Districts Secessions

As mentioned, our main analyses take the boundaries of school districts as given. This is because the vast majority of school districts in our sample remain constant throughout our study period (and our results are robust to dropping the few school districts that do change boundaries). Nevertheless, it is interesting to consider changes in school district boundaries as an outcome variable in its own right. After all, if increasing racial diversity is eroding trust within a community and causing support for local schools to decline, then one natural response by members of a (majority) racial group within that community may be to try and redefine the boundaries of their community to exclude other groups.

We test this possibility by looking at the probability of school district secessions—i.e., the separation of a (new) smaller school district from a larger (existing) school district—as a function of racial diversity and racial integration. Our data include only thirty-two such events[1], so the power of this analysis is low. Table B1 reports the results of a Cox hazard model predicting school district secession, and shows that the probability of secession increases with increasing racial diversity within a school district, and declines with the presence of shared values and organizational representativeness though we do not see a statistically significant effect of our community inclusion measures. Thus, not only does increasing racial diversity lower support for local public schools within a community, in the extreme it may even prompt a fracturing of the community itself, with a subset of community members effectively leaving to form their own, more exclusive, community. Figure B1 shows further support for this idea by comparing the average racial composition of new school districts created through secession to the racial composition of the original school district. It shows that the newly formed school districts have a substantially higher proportion of White children, compared to the original school district from which they seceded

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[1] Besides secessions, school districts sometimes undergo mergers or other forms of boundary adjustments. Our analysis also accounts for these changes by ensuring our results remain robust even when we exclude districts that experience any such alterations during our study period.

**Figure B1:** *School District Secessions and Districts Racial Composition*
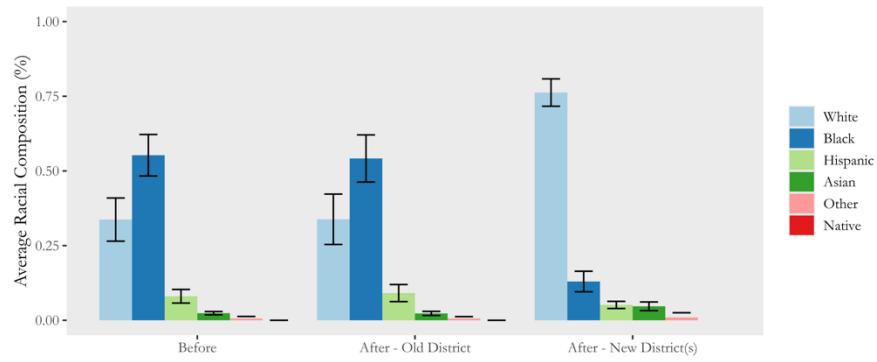
Table B1: *Cox Hazard Model Estimates of School District Secessions*

	(1)	(2)	(3)	(4)	(5)	(6)
			DV: School District Secessions			
Racial Diversity	0.60**	0.64**	0.60**	0.56**	0.56**	0.57**
	(0.20)	(0.20)	(0.20)	(0.19)	(0.19)	(0.19)
Comm. Res. Integ.		-0.21+				-0.17
		(0.13)				(0.12)
Comm. Connect.			0.02			0.07
			(0.23)			(0.18)
Org. Integ.				-0.19***		-0.19**
				(0.05)		(0.06)
Shared Values					-0.35***	-0.31***
					(0.06)	(0.06)
Poverty Rate (%)	0.38*	0.31	0.43*	0.37**	0.34*	0.31+
	(0.21)	(0.24)	(0.24)	(0.15)	(0.15)	(0.17)
Adults without College Degree (%)	0.00	-0.05	-0.02	0.04	0.06	0.04
	(0.28)	(0.29)	(0.28)	(0.16)	(0.16)	(0.16)
Special Education Programs (%)	-0.08	-0.11	-0.09	-0.11	-0.05	-0.11
	(0.16)	(0.17)	(0.16)	(0.15)	(0.14)	(0.15)
English Learning Programs (%)	0.23*	0.25*	0.22*	0.23*	0.22*	0.24*
	(0.12)	(0.12)	(0.12)	(0.11)	(0.11)	(0.11)
Num. For-Profit Charters	-16.82***	-17.00***	-16.79***	-16.40***	-15.64***	-15.70***
	(2904.03)	(2991.53)	(2851.34)	(2332.58)	(1245.57)	(1292.32)
Num. Non-Profit Charters	0.09***	0.08***	0.09***	0.08***	0.06***	0.05**
	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)	(0.03)
Non-Local Revenue Per Pupil (log)	-0.19	-0.33	-0.15	-0.41	-0.25	-0.52+
	(0.44)	(0.46)	(0.45)	(0.32)	(0.36)	(0.33)
Num.Obs.	120220	119654	119104	120220	120184	118517
Wald Chi-square	2176.91	2217.09	2181.35	2546.48	1349.53	1786.23
Concordance	0.80	0.83	0.80	0.85	0.83	0.88
Number of events	32	31	32	32	32	31

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001, *Notes:* 1) Robust standard errors are clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and they should be interpreted as standard deviations, 3) We exclude the state of Maine from this analysis, because in 2007 the state passed a bill that incentivized school districts to merge by hitting districts with financial penalties if they didn't consolidate. The bill was repealed in 2011 leading previously merged districts to split away.

Appendix C: Robustness Test – Alternative Measures of Inclusion

As mentioned, in order to test Hypothesis 2—that the negative relationship between diversity and community support for public service organizations is ameliorated in more inclusive communities—we seek to triangulate across different measures of community inclusion, in order to capture the multifaceted nature of the underlying construct. In addition to the two measures—community residential integration and community connectedness—that serve as the primary operationalizations in the main text, we develop and test two other measures to confirm the robustness of our main findings. Each measure taps into a slightly different dimension of inclusion, enabling us to assess the consistency and validity of our findings across alternative specifications. These two alternative measures are:

- **Cellphone Diversity Exposure (Robustness Measure)**: Originally developed by Xu et al. (2024) this measure captures physical proximity across racial groups using anonymized mobile phone data. Specifically, it calculates the probability that two individuals of different races are co-located within a geohash-8 cell—an area measuring approximately 38.2 meters by 19 meters—for at least 15 minutes. This observed probability of interracial co-location is then compared to the expected probability based on the area's overall racial diversity. The measure is defined as the difference between *experienced* co-location-based racial diversity and *actual* racial diversity. A negative value indicates that individuals in the area are less exposed to members of other racial groups than would be expected if encounters occurred randomly based on population demographics. This provides a fine-grained proxy for probability of encounters across groups. While this is a strong measure of proximity between races in a community, we prefer to retain it as a robustness test, given that it does not capture actual social interactions and that prior research shows segregation can persist even when individuals are co-located within the same establishment. (see Ferguson and Koning 2018).

- **Racial Climate (Robustness Measure)**: This measure captures the extent to which members of racial minority groups encounter hostility or discrimination within public schools. Using data from the Civil Rights Data Collection (CRDC), we calculate, for each school, the percentage of students from racial minority groups who were reported to have experienced race-based harassment. We then aggregate these values across all schools within a district to construct a district-level indicator of racial climate. To ensure interpretability consistent with our

theoretical framework, we define a more positive (or inclusive) racial climate as the absence or low prevalence of such harassment.

Using these two additional measures we replicate the results from Table 2 and Table 3 in the main text in Tables C1 and C2, respectively.

Table C1: *Testing Hypothesis 2 Using Alternative Inclusion Measures*

	DV: Per Pupil Local Spending		DV: Per Pupil Bond Amount	
	Low Inclusion	High Inclusion	Low Inclusion	High Inclusion
	(1)	(2)	(3)	(4)
Inclusion Measure: Cell Phone Diversity Exposure				
Racial Diversity	-0.03***	-0.00	-0.13**	0.02
	(0.01)	(0.01)	(0.04)	(0.03)
Num.Obs.	61282	60265	61282	60265
R2	0.969	0.958	0.145	0.139
Z (diff. Diversity)	2.56 (p = 0.01)		2.70 (p = 0.00)	
District FE	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes
Inclusion Measure: Racial Climate				
Racial Diversity	-0.03**	-0.01*	-0.13**	-0.03
	(0.01)	(0.01)	(0.05)	(0.04)
Num.Obs.	60135	61440	60135	61440
R2	0.966	0.963	0.146	0.151
Z (diff. Diversity)	1.09 (p = 0.14)		1.82 (p = 0.03)	
District FE	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, *Notes:* 1) Robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and they should be interpreted as standard deviations

Table C2: *Testing Hypotheses 3 and 4 Using Alternative Inclusion Measures*

	DV: Per Pupil Local Spending								DV: Per Pupil Bond Amount							
	Inclusion				Inclusion				Inclusion				Inclusion			
	Low		High		Low		High		Low		High		Low		High	
	Shared Values				Org. Represent.				Shared Values				Org. Represent.			
	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High	Low	High
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)
Inclusion Measure: Cellphone Diversity Exposure																
Racial Diversity	-0.05***	-0.01	-0.04**	0.02+	-0.05***	-0.01	-0.02	0.00	-0.23***	-0.03	0.10	0.01	-0.32***	0.01	0.01	0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.06)	(0.06)	(0.06)	(0.04)	(0.08)	(0.05)	(0.07)	(0.04)
Num.Obs.	35724	25552	24289	35945	33044	28238	27466	32799	35724	25552	24289	35945	33044	28238	27466	32799
R2	0.970	0.967	0.966	0.951	0.972	0.966	0.965	0.951	0.136	0.161	0.136	0.144	0.144	0.152	0.143	0.138
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Inclusion Measure: Racial Climate																
Racial Diversity	-0.06***	0.00	-0.05***	0.00	-0.04***	-0.00	-0.02	-0.01	-0.20**	-0.06	-0.10	0.01	-0.25***	-0.02	-0.16+	0.02
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.07)	(0.07)	(0.06)	(0.04)	(0.07)	(0.06)	(0.09)	(0.04)
Num.Obs.	37145	22986	22848	38559	37026	23109	23507	37933	37145	22986	22848	38559	37026	23109	23507	37933
R2	0.966	0.966	0.973	0.958	0.971	0.960	0.967	0.961	0.143	0.151	0.132	0.163	0.147	0.146	0.138	0.163
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001, *Notes:* 1) Robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and they should be interpreted as standard deviations.

Appendix D: Robustness Test – Alternative Measures of Shared Values

We conduct robustness checks using two alternative measures of shared values to validate our main findings.

- **Political homogeneity (robustness measure):** As an alternative to our main operationalization of shared values, we calculate political homogeneity as the absolute vote margin between Democratic and Republican candidates in state legislative lower chamber elections. Using electoral data compiled by Klarner et al. (2013, 2020), we intersect the geographic boundaries of 2,645 state legislative districts with school district boundaries, weighting by the area of intersection. Greater vote margins indicate more politically homogeneous communities, which we interpret as reflecting greater shared political values.

- **Presence or absence of Black churches (robustness measure):** Our second robustness measure draws on religious affiliation by racial groups as a proxy for shared values across racial groups. Specifically, we use data from the U.S. Religion Census to identify the presence of historically Black churches—such as the African Methodist Episcopal Church and other majority-Black congregations—within each county. The presence of these churches within a county signals a greater degree of religious segregation by race, which we interpret as indicative of weaker shared values across groups. Conversely, their absence suggests that Black and non-Black residents are more likely to worship together, signaling greater alignment in values and beliefs.

Table D1: *Testing Hypothesis 3 Using Alternative Measures Shared Values*

					Community residential integration								Community Connectedness							
					Low		High		Low		High		Low		High		Low		High	
	Political Homogeneity		Black Church		Political Homogeneity				Black Church				Political Homogeneity				Black Church			
	Low	High	Yes	No	Low	High	Low	High	Yes	No	Yes	No	Low	High	Low	High	Yes	No	Yes	No
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)
DV: Per Pupil Local Revenue																				
Racial Diversity	-0.03***	-0.01	-0.03***	0.00	-0.06***	-0.03**	-0.02*	0.00	-0.06***	-0.02	-0.02*	0.01	-0.05***	-0.02+	-0.02+	-0.00	-0.04***	-0.02	-0.02*	0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(0.01)	(0.01)
Num.Obs.	56173	55718	79925	41691	27119	28938	29054	26780	43812	16607	36109	25084	26835	31412	29179	23543	47505	12894	32205	27906
R2	0.969	0.959	0.972	0.948	0.968	0.964	0.969	0.954	0.971	0.949	0.972	0.948	0.961	0.960	0.967	0.950	0.967	0.937	0.971	0.948
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
DV: Per Pupil Bond Amount																				
Racial Diversity	-0.10*	-0.06	-0.11**	0.00	-0.20**	-0.13	-0.03	-0.02	-0.21**	0.04	-0.04	-0.01	-0.22***	-0.08	0.03	-0.08	-0.18***	-0.05	-0.01	-0.00
	(0.04)	(0.04)	(0.04)	(0.04)	(0.08)	(0.08)	(0.05)	(0.05)	(0.07)	(0.09)	(0.05)	(0.04)	(0.06)	(0.06)	(0.05)	(0.07)	(0.05)	(0.08)	(0.06)	(0.05)
Num.Obs.	56173	55718	79925	41691	27119	28938	29054	26780	43812	16607	36109	25084	26835	31412	29179	23543	47505	12894	32205	27906
R2	0.150	0.142	0.146	0.149	0.157	0.147	0.146	0.139	0.154	0.144	0.141	0.154	0.163	0.138	0.138	0.156	0.153	0.154	0.142	0.147
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

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Appendix E: Robustness of Main Findings

To further test the robustness of our findings, we develop an epistemic map, showing how our result changes with various potential choices of empirical specification (King, Goldfarb, and Simcoe, 2021). Specifically, we vary the following sets of choices:

1. Alternative community inclusion measures:

    a. Community Residential Integration

    b. Community Connectedness (Chetty et al. 2022)

2. Alternative racial diversity measures:

    a. Herfindahl index of race *(baseline)*

    b. Entropy measure of race data

3. Alternative durations of the panel:

    a. Starting the panel in 2009 – 2010 school year *(baseline)*

    b. Starting the panel in 2005 – 2006 school year.

4. Alternative specification:

    a. Baseline control variables *(baseline)*

    b. No Control Variables

    c. Additional control variables including % Black, % Asian, % Hispanic, % American Indian, % Other races, number of schools, district-level median income, % of students in each grade (using grade 1 as the reference), payments received from other school systems by a school district, organizational integration, community residential integration, percentage of adults

without a college degree, adjusted median property value, and payments made to other school systems[2].

5. Alternative dependent variables: we create epistemic maps for two alternative dependent variables.

    a.   Per pupil local spending

    b.   Per pupil school bond amount

The choices made in the main manuscript are marked as baseline. Given the set of choices, we estimate $2^3 \times 3 = 24$ OLS models for H1, and show the coefficient of the racial diversity and its 95% confidence interval – i.e., $\beta_{full} \pm 1.96 \times SE_{full}$ in Figure 2a. For H2, we estimate $2^4 \times 3 = 48$ models (including two different measures of community inclusion) and show the difference between the coefficients of low and high inclusion subsamples along with the 95% confidence interval corresponding to the z-test between the two coefficients – i.e., $\beta_{low} - \beta_{high} \pm 1.645 \times \sqrt{SE_{low}^2 + SE_{high}^2}$ where 1.645 is the critical value for 5% significance of a one-tailed z-test.

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[2] Open enrollment – that is, permitting parents to select schools for their children outside their assigned school district – is another form of school choice that can impact both the racial diversity of school districts and the funding of local schools. To rule out this explanation, we control for payments received from other school systems by a school district.

Appendix F: Variables and Data Sources

Variable	Description	Data Source(s)
Investments in collective goods	*Per-pupil local school spending:* local revenue (property taxes, tuition, donations, other income) per enrolled student, adjusted to 2018 dollars	NCES Common Core Data (CCD)
	Per-pupil school bond amount: Per-pupil dollar amount of school district bonds proposed and approved by local referendum adjusted to 2018 dollars	Electronic Municipal Market Access (EMMA)
Racial diversity	Herfindahl-Hirschman index across six racial groups (American Indian, Asian, Black, Hispanic, White, Other); *Robustness checks:* 1) Racial entropy instead of HH Index and 2) Alternative data source: ACS race variables	NCES CCD and American Community Survey (ACS)
Community inclusion	*Community residential integration:* 1 - Theil's index of racial segregation across Census tracts intersecting with school districts	IPUMS NHGIS
	Community Connectedness: Friendship ties between Facebook users mapped from counties to school districts	Opportunity Insights (Chetty et al. 2022a, b)
Shared Values	One minus the weighted sum of the absolute differences between each racial group's vote share for the Republican candidate and the overall Republican candidate's vote share in the congressional district of the school district in 2016 presidential election. $1 - \sum_{r\in\{wh,bl,hi,oth\}} w_{r,d}\left|R_{r,d} - R_d\right|$	Kuriwaki et al. (2024)
Organizational representativeness	1 - Theil's index of racial segregation across schools in the same district	NCES CCD
Control Variables	District finances (non-local revenue per pupil, debt, interest payments), student composition (special ed., English learners), community characteristics (median income, poverty, income Gini, education, cost of living, political affiliations), charter schools, etc.	NCES CCD; EDGE ACS; SAIPE; C2ER cost of living index
Student Achievements (supplementary)	Student achievement outcomes in math and reading.	Stanford Education Data Archive (SEDA; Fahle et al. 2021)

	DV: Local Revenue per Pupil							
	Community Res. Integration				Community Connectedness			
	Low		High		Low		High	
	Direct	Direct + Mediation	Direct	Direct + Mediation	Direct	Direct + Mediation	Direct	Direct + Mediation
Racial Diversity	-0.05***	-0.04***	-0.00	-0.00	-0.04***	-0.03***	-0.00	-0.00
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Bond Per Pupil (past 4 years)		0.02***		0.02***		0.02***		0.02***
		(0.00)		(0.00)		(0.00)		(0.00)
Num.Obs.	60419	60419	61193	61193	60399	60399	60111	60111
R2	0.965	0.966	0.963	0.964	0.961	0.961	0.962	0.962
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, *Notes:* 1) Seven percent of the relationship between racial diversity and per-pupil local spending in low community integration settings is mediated through the bond amount passed over the past four years (Sobel test $Z = 7.2$, $p < 0.001$), and 12% of the relationship in low community connectedness settings is mediated through the same mechanism (Sobel test $Z = 9.9$, $p < 0.001$), 2) Clustered robust standard errors clustered at the school district level are shown in parentheses, 3) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

APPENDIX H. Racial Diversity Coefficients by Inclusion Quartiles

*Figure G1: Estimated Coefficient of Racial Diversity by Community Residential Integration Quartiles.*
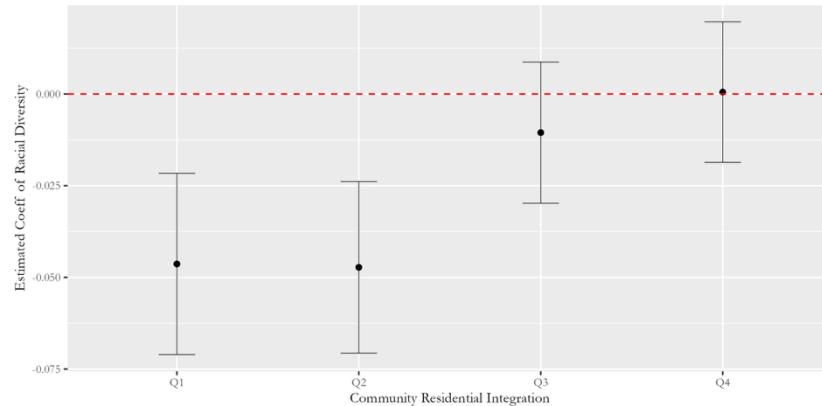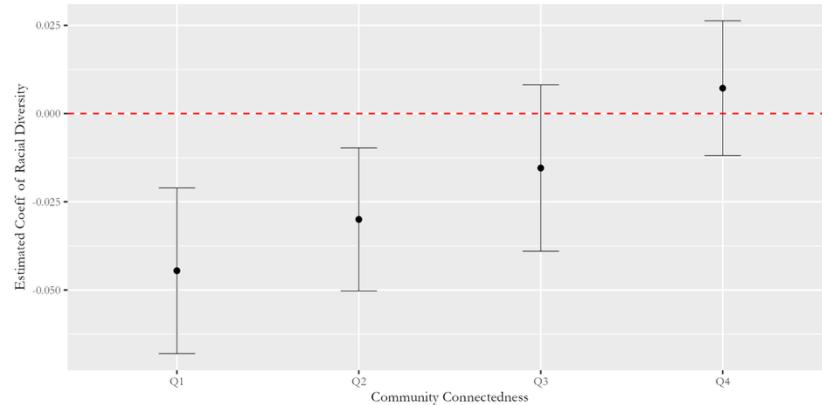
Figure G2: Estimated Coefficient of Racial Diversity by Community Connectedness Quartiles.

APPENDIX I. Racial Diversity Instrument Construction

To construct an instrument for racial diversity, we assume that immigrants who arrived during our study period settled in new regions partly based on the distribution of immigrants from their country of origin across the United States in 1980. We first calculate the net number of immigrants from country r into the United States during period t. We exclude the focal county, on the reasoning that those who did not settle in county c could have potentially chosen to do so, making their arrival in the U.S. exogenous to school districts in the focal county (see Goldsmith-Pinkham et al. 2020). This is denoted by ΔI_{rt}.

We obtained county-level data for this calculation from the ACS estimates for regions present in the 1980 Census. We also calculate the share of immigrants from region r who resided in county c in 1980, denoted as γ_{rc}. We obtain data for calculating γ_{rc} from the decennial population census in 1980 from IPUMS NHGIS (Manson et al. 2020). Assuming that new immigrants distribute themselves across the United States based on the existing distribution of previous immigrants from their region (with "region" primarily referring to the home country, except in cases where the 1980 Census grouped multiple countries together), we can predict the number of new immigrants from region r expected to settle in county c, excluding those who actually settled in c to improve plausible exogeneity, as $\gamma_{rc} \times \Delta I_{rt}$.

We then normalize this prediction by dividing it by $P_{c,1980}$, which is the population of county c in the year 1980. By summing the predicted number of immigrants from countries present in our sample, we calculate the overall predicted inflow of international immigrants into county c. To formalize this, we first construct the annual county-level predicted flow of immigrants as follows:

$$Z_{ct} = \sum_r \frac{\gamma_{rc} \times \Delta I_{rt}}{P_{c,1980}}$$

As an example, we calculated the value of Z_{ct} for Los Angeles County in 2010. To illustrate the process, consider the inflow of immigrants from Mexico to Los Angeles County. In 1980, 32% of the

Mexican population in the U.S. resided in Los Angeles County, i.e., $\gamma_{Mexico,LosAngeles}$ = 0.32. The county

had a population of 7,477,503 in the 1980 Census, i.e., $P_{LosAngeles,1980}$ = 7,477,503. Between 2009 and

2010, 232,690 Mexican immigrants arrived in the U.S., of whom 31,023 settled in counties other than

Los Angeles. Thus, the entry of 31,023 is fully exogenous to Los Angeles County—i.e., $P_{LosAngeles,1980}$ =

31,023. Had these Mexican immigrants chose their new homes based on the 1980 distribution, the

predicted number of immigrants from Mexico to Los Angeles County would be 9,843, which equals

0.132 percent of Los Angeles County's 1980 population. Repeating this calculation for all regions

represented in the 1980 Census and summing the results, we obtain $Z_{LosAngeles,2010}$= 1.219. To improve

the stability of the instrument, we then average Z_{ct} over the five-year period ending in the focal year to

construct our final instrument.

Country	New Immigrants from c to US excluding LA County		LA County Share of the Pop. from each Country in 1980		Pred. Immigrant Flow from each Country to LAC		LA County Pop. In 1980		LA County Pred. Immigrant Flow in (%)
Central America	71281	x	0.31	=	22218.45	/	7,477,503	x 100 =	0.297
Other Asia	119972	x	0.14	=	16938.50	/	7,477,503	x 100 =	0.227
China	95612	x	0.12	=	11151.17	/	7,477,503	x 100 =	0.149
Mexico	31023	x	0.32	=	9843.01	/	7,477,503	x 100 =	0.132
Africa	78713	x	0.09	=	6972.61	/	7,477,503	x 100 =	0.093
Philippines	39181	x	0.15	=	5683.21	/	7,477,503	x 100 =	0.076
South America	54976	x	0.10	=	5655.85	/	7,477,503	x 100 =	0.076
India	92091	x	0.05	=	4246.02	/	7,477,503	x 100 =	0.057
Vietnam	19172	x	0.12	=	2308.57	/	7,477,503	x 100 =	0.031
Cuba	38771	x	0.06	=	2275.62	/	7,477,503	x 100 =	0.030
Soviet Union	10485	x	0.08	=	889.86	/	7,477,503	x 100 =	0.012
Oceania	7161	x	0.11	=	764.42	/	7,477,503	x 100 =	0.010
Korea	4028	x	0.17	=	695.90	/	7,477,503	x 100 =	0.009
Other Europe	7767	x	0.06	=	443.92	/	7,477,503	x 100 =	0.006
Other Caribbean	18152	x	0.01	=	259.66	/	7,477,503	x 100 =	0.003
Jamaica	10680	x	0.02	=	213.21	/	7,477,503	x 100 =	0.003
Dominican Republic	35956	x	0.00	=	175.58	/	7,477,503	x 100 =	0.002
France	2681	x	0.06	=	171.12	/	7,477,503	x 100 =	0.002
Sweden	1689	x	0.05	=	87.28	/	7,477,503	x 100 =	0.001
Canada	964	x	0.07	=	64.61	/	7,477,503	x 100 =	0.001
Czechoslovakia	782	x	0.05	=	37.73	/	7,477,503	x 100 =	0.001
Ireland	900	x	0.03	=	24.90	/	7,477,503	x 100 =	0.000
Japan	56		0.15		8.24		7,477,503	x 100 =	0.000
							Predicted Immigrant Flow to LA County (%) 1.219		

APPENDIX J. Non-Local and Total Spending Per Pupil

Table J1: Supplementary Analysis – Racial Diversity and Non-Local and Total School Spending.

	Per Pupil Non-Local Spending		Per Pupil Total Spending		Per Pupil Non-Local Spending		Per Pupil Total Spending	
	Comm. Residential Integration		Comm. Residential Integration		Comm. Connect.		Comm. Connect.	
	Low	High	Low	High	Low	High	Low	High
Racial Diversity	0.01	0.04***	-0.02**	0.01**	0.00	0.05***	-0.02***	0.02***
	(0.01)	(0.01)	(0.01)	(0.00)	(0.01)	(0.01)	(0.01)	(0.00)
Num.Obs.	60417	61195	60417	61195	60396	60114	60396	60114
R2	0.913	0.903	0.929	0.935	0.899	0.916	0.920	0.941
FE: LEAID	X	X	X	X	X	X	X	X
FE: year_start	X	X	X	X	X	X	X	X
Z (diff. Diversity)	3.30 (p = 0.00)		3.95 (p = 0.00)		3.30 (p = 0.00)		3.95 (p = 0.00)	

+ p < 0.1, * p < 0.05, ** p < 0.01, *** p < 0.001, *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) same controls as the baseline model are included, 3) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

APPENDIX K. Alternative Explanations

We run a set of supplementary analyses to rule out potential alternative explanations for our findings. One concern is that a school district may not represent a single community but rather a collection of largely independent groups. In particular, it may be that the drop in overall community spending on local schools with increasing racial diversity in less integrated school districts may simply reflect the local majority continuing to spend on the schools that their children attend, but not on the schools attended by minority children, causing the average across the two to fall. To address this concern, we collect measures of the average spending gap between schools within a district, and limit our sample to school districts with low spending gap (below top quartile or below median), confirming that our results continue to hold even in school districts where distribution of resources to schools is relatively equal (see Panel A in Table K1).

We also consider the geographic area of the school district, on the logic that the more spread out the school district, the less members of that district may see themselves as a single community. We re-run our analysis in the sub-sample of school districts with small (below top quartile or below median) geographic area, and confirm that our results continue to hold (see Panel B in Table K1).

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Table K1: Supplementary Analysis –Spending Disparity and Area

	Comm. Residential Integration		Comm. Residential Integration		Comm. Connectedness		Comm. Connectedness	
	Low	High	Low	High	Low	High	Low	High
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Panel A: Spending Disparity Models								
	Excluding Pay Disparity Q4		Excluding Pay Disparity Q3 & Q4		Excluding Pay Disparity Q4		Excluding Pay Disparity Q3 & Q4	
Racial Diversity	-0.06***	-0.00	-0.04***	-0.00	-0.04***	-0.01	-0.03**	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Num.Obs.	45691	45691	30634	30633	45362	45362	30391	30390
R2	0.968	0.967	0.972	0.967	0.964	0.965	0.965	0.969
Z (diff. Diversity)	4.30 (p = 0.00)		2.96 (p = 0.00)		2.38 (p = 0.01)		1.59 (p = 0.06)	
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Panel B: Area Models								
	Excluding Area Size Q4		Excluding Area Size Q3 & Q4		Excluding Area Size Q4		Excluding Area Size Q3 & Q4	
Racial Diversity	-0.05***	-0.01	-0.05***	-0.01	-0.04***	-0.01	-0.04***	-0.01
	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)	(0.01)
Num.Obs.	45864	45864	30787	30787	45820	45820	30775	30775
R2	0.970	0.969	0.976	0.972	0.966	0.967	0.971	0.971
Z (diff. Diversity)	3.94 (p = 0.00)		2.49 (p = 0.01)		2.68 (p = 0.00)		2.23 (p = 0.01)	
District FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
School Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

+ $p < 0.1$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$, *Notes:* 1) Clustered robust standard errors clustered at the school district level are shown in parentheses, 2) Coefficients are standardized and should be interpreted as the effect of a one standard deviation increase in the variable.

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