

# **NEPC Review: Resource Realities: A Comparative Analysis of Charter and District School Funding in Washington, D.C. (Bellwether, November 2024)**



**Reviewed by:**

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**January 2025**

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## Acknowledgements

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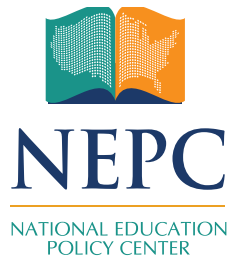
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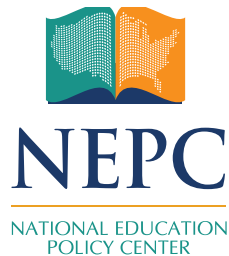
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## Summary

Over the past decade-plus, charter-school advocates have raised concerns about purported funding disparities between charter schools and district public schools. This new report from Bellwether uses tabulations of funding across charter and public schools to describe the size of the funding disparities in the District of Columbia (DC) from 2022 to 2025. The report finds that the district’s public schools are more generously funded—that they have access to additional funding streams, receive extra pandemic funding, have more capital funding, and pay teachers much higher salaries. Although the report’s tabulations are valid, it fails to prove that charter schools are underfunded or that they should, in fact, be funded at parity with public schools. Schools in these two sectors are responsible for providing different services and serving different students, and they often receive resources from different sources. The report neither applies a valid method of comparison nor acknowledges these different responsibilities. Indeed, it provides no way to determine if DC charter schools are funded at the “right level” or what that level should be. As a result, it is of limited use to policymakers—except perhaps within the district as an introductory or preliminary study.



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## I. Introduction

Charter schools are an important sector of K-12 schooling. They offer an alternative to traditional public schools in terms of curriculum, school organization, and instruction. However, there are consistent questions as to how much public financing charter schools should receive and whether they are funded fairly compared to traditional public schools. These questions are especially important in areas such as the District of Columbia, where almost half of all students are enrolled in a charter school.

This review examines a report exploring such funding questions from the nonprofit Bellwether organization: *Resource Realities: A Comparative Analysis of Charter and District School Funding in Washington, D.C.*, authored by Kaput, Tinubu Ali and O’Neal Schiess.<sup>1</sup> The report tabulates the funding of charter schools and district schools in the District of Columbia (DC) over the period from 2022 to 2025. By comparing funding in charters with funding in district public schools, the report provides evidence on an important question— are charter schools in DC being funded fairly?

## II. Findings and Conclusions of the Report

The report presents a set of linked findings on charter and district school funding in the District of Columbia post-pandemic.

First, local funding sources have expanded post-pandemic, and expansions have favored public schools. By far the bulk of school funding is formula-driven, and weighted for student

characteristics. The formula (Uniform Per Student Funding Formula, UPSFF) is applied consistently across all schools.<sup>2</sup> However, the report identifies seven discretionary local funding sources where dollars are not allocated uniformly. Three sources fund only public schools, while two fund only charter schools; the remaining two fund both, but allocate more money to district schools. Overall, the report finds, charter schools received \$105 million less in local funding.

Second, the district invests in capital and facilities primarily benefitting district schools. In contrast, charter schools must use operational funds for all facilities expenses. The report finds these operational funds far below the amount allocated to public schools and too low to cover all facilities expenses. Facilities investments—valued at \$1.1 billion more for public schools—explain two-thirds of the charter school funding gap.

Third, the district will substantially increase pay for its teachers but not provide similar funding for charter school teachers. The Washington Teachers Union, to which charter school teachers do not belong, negotiated the increases. District teachers' pension benefits have also increased post-pandemic, but similarly, charter teachers are not eligible for such benefits. The net gain is \$450 million more for district teachers.

The new funding commitments are large and spread over multiple years. Overall, the extra funding for district schools over the period 2022-25 is \$1.65 billion, equating to \$7,713 per student.

Based on these findings, the report offers a series of recommendations to reduce disparities. One is to channel more funding through the uniform funding formula instead of discretionary local funding sources. Another recommendation is to increase charter school funding both for facilities and for teacher remuneration. The final recommendation is to increase accountability with more transparent reporting and dialogue in order to improve the policymaking process.

### **III. The Report's Rationale for Its Findings and Conclusions**

The report relies on district budget documents and data for its evidence. These sources are valid and provide credible, up-to-date data on school funding. To generate its findings, the report describes these funding sources and tabulates the amounts from 2022 to 2025.

The report's conclusions flow directly from its descriptions of the funding system and the average amounts of funding per student. The system favors public schools, which receive more dollars per student. The report therefore concludes that the funding system is inequitable and that it disadvantages charter schools. The report's logic is that these disadvantages would be eliminated if charter schools received more locally sourced funding, more facilities investments, and more support for teacher compensation comparable to that for district teachers.

## IV. The Report's Use of Research Literature

The report relies on no research literature at all. Critically, the report does not refer to any research on methods to use when comparing charter school and public school financing.<sup>3</sup> The report does not cite any prior studies that have attempted to calculate charter school funding shortfalls.<sup>4</sup> Nor does the report refer to a single peer-reviewed journal article or policy report on charter school funding, on facilities investments, or on teacher remuneration. No current or historical analyses for the District of Columbia are included.<sup>5</sup> Finally, no evidence on funding patterns from other states is considered.

One unique element of the DC system is a performance-related pay scheme (called IMPACT), which affects only district teachers. In addition to direct evidence on IMPACT, there is extensive research on performance-related pay.<sup>6</sup> However, the report provides only a minimal context for IMPACT and entirely neglects the research literature on performance pay.<sup>7</sup> Similarly, for capital and facilities upgrades, the report fails to consider any local context or evidence. Finally, research on teacher compensation—and the role of unions—is not considered in the report.<sup>8</sup>

Overall, the report does not relate its findings to extant research (either theoretical or applied) and does not consider local context in detail.

## V. Review of the Report's Methods

The report's method is to tabulate funding amounts for charter schools and district schools. These amounts are then compared, on the assumption that there should be parity across all schools. This assumption is weakly tested by comparing a student characteristics by color, by disability status, and by economic disadvantage. Based on these characteristics, charter and district school students are held to be sufficiently "alike" to confer legitimacy on unadjusted comparisons of funding.

However, this method is inadequate for the comparison made. Instead, the report should have applied standard comparative methodology. School financing experts and policymakers have long discussed conditions under which charter schools are optimally funded versus public schools. The comparative method is well-established; it also systematic and formal. In fact, it is often restated and highlighted because many reports—like this one—ignore it.<sup>9</sup>

The comparative method emphasizes a set of practices.<sup>10</sup> Adopting these practices should lead to a more rigorous and accurate estimate of funding inequities for DC schools.

The first practice is basic: Funding amounts should be adjusted for student characteristics. However, this adjustment should not be cursory (or implicit, as in this report). There are many differences in student characteristics that may affect costs. For example, Washington D.C. charter schools serve fewer English Learners (by eight percentage points), but they enroll significantly more adult students (by 11 percentage points) and serve more students with level-4 (more severe) disabilities (by two percentage points).<sup>11</sup> Nationally, charter schools

typically enroll more female students.<sup>12</sup> By design, charter schools have more flexibility to select students and can identify students who are most likely to prosper and who are relatively low-cost to educate.<sup>13</sup>

The second practice is to consider differences in organizational structure. Charter schools can operate multiple campuses, while district schools must operate within constraints. For example, districts must provide services for all schools (such as transportation or for special education). Also, charter schools are considerably smaller than public schools. As of 2023-24, average enrollment is 353 at charter schools and 436 at public schools, a scale gap of 24%.<sup>14</sup> Although there is considerable evidence that scale matters for school efficiency, scale is not considered in the report.<sup>15</sup> Funding should reflect these structural differences.

Finally, a thorough investigation should be undertaken of budgets, transfers and actual expenditures by schools. Often, these investigations uncover transfers, pass-throughs, re-allocations, and reimbursements such that reported funding is quite different from actual resource use. Sometimes, these revisions reflect misallocation of resources, distorted incentives in charter schools, or spillover effects on public schools. It is possible that investigation within the District will yield some anomalies.<sup>16</sup>

## **VI. Review of the Validity of the Findings and Conclusions**

Most of the findings of the report are based on tabulations from government sources. In that respect, these tabulations are reasonable.<sup>17</sup>

However, the report's findings and conclusions may not be valid. First, no formal method is used to calculate the funding disparity. A method is important to determine if the calculations are accurate and if they genuinely reflect an unfair disparity against charter schools. If the method were applied, the results in this report would be more credible and a more sophisticated interpretation of the differences between charter and district schools would be possible.

]Second, the report's calculations ignore the basic rationale for the charter school movement: that differentiation and school choice is beneficial.<sup>18</sup> With far fewer constraints than district schools, charter schools might be expected to use fewer resources; differences in operation leading to differences in expenses are highly likely. Charter school funding mechanisms therefore should not be expected to directly align with those of public schools. Both absolute funding and individual budget items may well differ. Otherwise, charter schools would not be able to allocate resources differently, operate with different organizational structures, or adopt different missions. This differentiation is especially important for facilities and teacher pay: Because these are the largest budget items, they offer the biggest scope for efficiency savings.<sup>19</sup>

The report does not explain why charter school teachers should be funded comparably to district school teachers. Because the funding gap is attributable to a new union bargaining agreement, it seems invalid to claim that charter school teachers should also receive

increased pay or equivalent pensions. Matching pay defeats the purpose of having charter schools—and professional unions.<sup>20</sup>

Furthermore, the claim that local funding for charter schools is too low may be invalid. District schools get extra local funding for a pre-K (Early Stages) program. Because these services are delivered before students enter K-12 schooling, it is debatable if this is a genuine funding gap or an extra service that district schools provide. Also, the performance-related pay system (PRP) available to district teachers involves a risk/reward trade-off: Extra pay is available, but only for better performance. It is not correct to describe this performance-related pay scheme simply as “more funding.”

Finally, the report’s calculations are not expressed as a meaningful metric. The report’s estimate—of \$7,713 more per public school student—is over four years, so the annual amount is \$1,928. This translates into an approximate annual gap of 11%.<sup>21</sup> This percentage gap—which is not given in the report—may be economically meaningful or historically aberrant. However, the report offers no context for this debate.

## **VII. Usefulness of the Report for Guidance of Policy and Practice**

This report is useful in two ways. First, it does provide a clear overview of funding for schools in the District of Columbia. This is helpful because funding systems are not easy to understand: they are often complex, usually opaque, and frequently in flux. Second, the report provides a basic understanding of the disparity in funding between charter schools and district schools. Within the district, this report may be useful as an introductory or preliminary study.<sup>22</sup>

Unfortunately, the report does not offer a rigorous or methodical investigation of funding allocations. While charter schools do need to be adequately and fairly funded, that does not mean that they should be funded equally to district schools based on the same funding formulas. The report fails to consider why and how charter schools might need to be funded differently, and it ignores the standard comparative method and conventional research practices. As a result, it remains unclear whether—and to what degree—the charter schools may be underfunded.

Thus, the report’s conclusions are not well-founded. Given possible shocks (pandemics, for example), discretionary local funding is reasonable. Similarly, there is a strong economic case for capital funding to be separate from operational funding—and an especially strong case for charter school teachers to have pay set outside of a union contract.

In short, policymakers should be wary of drawing any direct policy conclusions about school funding from this report.



## Notes and References

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- 1 Kaput, K., Tinubu Ali, T., & Schiess, J.O. (2024, February). *Resource realities: A comparative analysis of charter and district school funding in Washington, D.C.* Bellwether. Retrieved December 1, 2024, from <https://bellwether.org/publications/resource-realities/>

As described on its website, Bellwether is a “national nonprofit that exists to transform education to ensure systemically marginalized young people achieve outcomes that lead to fulfilling lives and flourishing communities.” Retrieved November 26, 2024, from <https://bellwether.org/about-us/>

- 2 As its name indicates, this Uniform Per Student Funding Formula (UPSFF) gives each school the same funding for a given student. The UPSFF provides more than 80% of funding for all schools within the District.
- 3 For an example from 15 years ago, see the extensive analysis in Lubienski, C.A., Weitzel, P.C., & Henig, J.R. (2010). *The Charter School Experiment: Expectations, Evidence, and Implications*. Harvard University Press: Cambridge, MA.

For an even earlier example, specifically on facilities funding, see General Accounting Office. (2000). *Charter Schools: Limited Access to Facility Financing*. Washington, DC: United States General Accounting Office. Retrieved November 29, 2024, from <http://www.gao.gov/assets/240/230805.pdf>

- 4 Unfortunately, there are many weak analyses of disparities in charter school funding. Nevertheless there are some high-quality studies:

Atchison, D. & Levin, J. (2018, November). *Study of spending in public charter and traditional schools in California*. Washington, DC: American Institutes for Research. Retrieved November 28, 2024, from <https://gettingdowntofacts.com/publications/study-spending-public-charter-and-traditional-schools-california>.

Knight, D.S. & Toenjes, L.A. (2020). Do charter schools receive their fair share of funding? School finance equity for charter and traditional public schools. *Education Policy Analysis Archives*, 28, 51. Retrieved November 28, 2024, from <https://doi.org/10.14507/epaa.28.4438>

- 5 One example of a detailed investigation of the fiscal consequences of pandemic funding and demographic change within the District of Columbia is Sayin, Y. & Coffin, C. (2024). *The fiscal future of public education in the District of Columbia*. D.C. Policy Center, Retrieved November, 23, 2024, from <https://www.depolicycenter.org/publications/dc-fiscal-future-in-education/>

- 6 On the IMPACT Bonus scheme, see the compendium retrieved November 26, 2024, at <https://dcps.dc.gov/page/impact-dcps-evaluation-and-feedback-system-school-based-personnel>. For evidence on teacher performance pay, see: Jackson, C.K., Rockoff, J.E., & Staiger, D.O. (2014). Teacher effects and teacher-related policies. *Annual Review of Economics*, 6, 801-825. Retrieved November 28, 2024, from <http://dx.doi.org/10.1146/annurev-economics-080213-040845>

See also: Belfield, C.R. & Heywood, J.S. (2008). Performance pay for teachers: Determinants and consequences. *Economics of Education Review*, 27(3), 243-252. Retrieved November, 23, 2024, from <http://dx.doi.org/10.1016/j.econedurev.2008.01.002>

- 7 The report includes calculations of pandemic funding gaps between charter and public schools, although these gaps turn out to be trivial compared to the other gaps. Nevertheless, the report pays no attention to research evidence on the impacts of the pandemic on education systems. There is now significant research on how much resource might be needed to offset pandemic learning loss and how this might vary across schools. Two substantial research articles are listed below.

Goldhaber, D., Kane, T.J., McEachin, A., Morton, E., Patterson, T., & Staiger, D.O. (2023). The educational consequences of remote and hybrid instruction during the pandemic. *American Economic Review*:

*Insights*, 5(3), 377-92. Retrieved November 23, 2024, from <https://www.aeaweb.org/articles?id=10.1257/aeri.20220180>

Halloran, C., Jack, R., Okun, J.C., & Oster, E. (2023). Pandemic schooling mode and student test scores: Evidence from us school districts. *American Economic Review: Insights*, 5(2), 173–90. Retrieved November 23, 2024, from <https://www.aeaweb.org/articles?id=10.1257/aeri.20210748>

- 8 Research on teacher pensions includes: Koedel, C., Podgursky, M., & Shi, S.S. (2013). Teacher pension systems, the composition of the teaching workforce, and teacher quality. *Journal of Policy Analysis and Management*, 32(3), 574-602.  
  
Research on teacher unions includes: Marianno B.D., Kilbride T., Theobald R., Strunk K.O., Cowen J.M., & Goldhaber, D. (2018). Cut from the same cloth? Comparing urban district CBAs within states and across the United States. *Educational Policy*, 32(2), 334-359.
- 9 One example of this ignorance is an analysis by researchers at the University of Arkansas that was subsequently reviewed by Belfield, C.R. (2017, October). *NEPC review: Charter school funding: Inequity in New York City (University of Arkansas Department of Education Reform, August 2017)*. Boulder, CO: National Education Policy Center. Retrieved November 23, 2024, from <https://nepc.colorado.edu/thinktank/review-charter-funding>
- 10 An excellent, recent, and thorough exposition of the comparative method is Weber, M. (2023). *Evaluating research that alleges funding disparities between charter and district schools*. Boulder, CO: National Education Policy Center. Retrieved November 27, 2024, from <https://nepc.colorado.edu/publication/funding-disparities>. Notably, this exposition also documents how inadequate are most policy briefs in following this comparative method.
- 11 Author calculations from D.C. SY23-24 enrollment data audit. Data retrieved November 27, 2024, from <https://dcps.dc.gov/node/1018342>
- 12 Corcoran, S.P. & Jennings, J. (2018). The gender gap in charter school enrollment. *Educational Policy*, 32(5), 635-663. Retrieved November 28, 2024, from <https://doi.org/10.1177/0895904816673737>
- 13 Mommandi, W., & Welner, K.G. (2021). *School's choice: How charter schools control access and shape enrollment*. New York: Teachers College Press.
- 14 Author calculations from D.C. SY23-24 enrollment data audit. Data retrieved November 27, 2024, from <https://dcps.dc.gov/node/1018342>
- 15 Weber, M. (2023). *Evaluating research that alleges funding disparities between charter and district schools*. Boulder, CO: National Education Policy Center. Retrieved November 27, 2024, from <https://nepc.colorado.edu/publication/funding-disparities>
- 16 Baker, B. & Miron, G. (2015). *The business of charter schooling: Understanding the policies that charter operators use for financial benefit*. Boulder, CO: National Education Policy Center. Retrieved November 28, 2024, from <http://nepc.colorado.edu/publication/charter-revenue>  
  
The fiscal implications for public schools of charter schooling are discussed in Ladd, H.F. & Singleton, J.D. (2020). The fiscal externalities of charter schools: Evidence from North Carolina. *Education Finance and Policy*, 15(1), 191-208. Retrieved November 28, 2024, from [https://doi.org/10.1162/edfp\\_a\\_00272](https://doi.org/10.1162/edfp_a_00272)
- 17 The district produces budgetary data for each school, disaggregated to the level of personnel category (e.g., Principal). Detailed tabulations are at <https://dcpsbudget.com/budget-data/> and thus, a more refined analysis is readily possible.
- 18 These distinctions extend to most operational dimensions. Charter schools operate with greater flexibility both with respect to students and staffing; and they follow specific missions with lighter regulations. They can

choose their facilities and make capital investments accordingly.

- 19 Extra funding for public school facilities is appropriate for various reasons. These include circumstances where public schools facilities are more dilapidated (perhaps because of their age) or are located in high-rent areas. Also, public schools may face different borrowing constraints and may adopt different amortization schedules (spreading capital costs over time).
- 20 Also, part of the disparity is related to pensions: If charter school teachers are younger than public school teachers, then pension rights are less valuable (because they are further in the future).
- 21 Author calculations from <https://dcpsbudget.com/budget-data/>. The percentage gap is approximate because it depends on the appropriate baseline amount. Notably, the report does not state the baseline amount.
- 22 It is unlikely that policymakers in other states will find this evidence useful. The only evidence used is for the district and there are no general lessons on funding that may be relevant for other localities.