



National Association of Federally Impacted Schools

400 North Capitol Street, NW, Suite 290 | Washington, DC 20001 | (p) 202.624.5455 | www.NAFISDC.org

TO: The Biden-Harris Presidential Transition Team

FROM: Hilary Goldmann, Executive Director, National Association of Federally Impacted Schools
Leslie Finnan, Director of Policy & Advocacy, National Association of Federally Impacted Schools
Tom Madden, Executive Director, Federal Lands Impacted Schools Association
Jim Sarruda, President, Mid-to-Low LOT Schools
Kyle Fairbairn, Executive Director, Military Impacted Schools Association
Brent Gish, Executive Director, National Indian Impacted Schools Association

DATE: December 3, 2020

SUBJECT: Recommendations on Impact Aid for the Biden Administration

On behalf of more than 1,100 federally impacted school districts, the National Association of Federally Impacted Schools (NAFIS) and its subgroups – Federal Lands Impacted Schools Association (FLISA), Mid-to-Low LOT Schools (MTLLS), Military Impacted Schools Association (MISA) and National Indian Impacted Schools Association (NIISA) – are pleased to present this memo on Impact Aid to the Biden-Harris Presidential Transition Team.

Impact Aid is a vital revenue source for public school districts that educate a significant proportion of the nation's military-connected children and Native American students living on Indian lands, as well as for other public school districts containing Federal property. This memo provides an overview of the program, as well as recommendations for the Biden Administration.

Impact Aid: A Federal Responsibility

Impact Aid is a Federal education program that reimburses school districts for the lost revenue and additional costs associated with the presence of nontaxable Federal property, such as military installations, Indian treaty and trust lands, Alaska Native Claims Settlement Act land, Federal low-rent housing facilities, national parks and national laboratories. Because most public school districts are funded largely through local taxes and fees, and because Federal land is exempt from taxation, school districts containing Federal property are at a financial disadvantage in funding their schools. As a result, local residents may have a higher tax burden, and – without Impact Aid – students in these districts would not have opportunities they need to reach their full potential.

Impact Aid is the oldest elementary and secondary education program. Congress recognized in 1950 that the Federal Government had an obligation to help meet the local responsibility of financing public education in areas impacted by a Federal presence. That same recognition holds true today.

Impact Aid funding is direct, locally controlled and flexible. It can be used for any general fund purpose, such as instructional materials, salaries, transportation, technology or construction. This flexibility allows school district leaders to target funds wherever the needs are greatest.

THE NAFIS FAMILY

FLISA

Federal Lands Impacted
Schools Association

MISA

Military Impacted
Schools Association

MTLLS

Mid-to-Low-LOT
Schools

NIISA

National Indian Impacted
Schools Association

Federally Impacted School Districts: Meeting the Needs of Military-Connected and Native American Students

Federally impacted school districts educate a significant proportion of the nation's military-connected children and Native American students living on Indian lands. These school districts tailor their educational curriculums, support systems and programming to meet the specific needs of these students, their families and their communities.

Military-connected students face unique challenges in their education. Frequent moves pose academic and social emotional issues, with students experiencing different curricula and course requirements – as well as the challenge of creating new relationships – at every new post. In addition, these students face the stress and uncertainty associated with parental deployment. School districts serving military-connected students address these challenges in a number of ways, including by providing transition services, targeted professional development to staff and robust social emotional supports for students and families.

Students living on Indian trust or treaty land or Alaska Native Claims Settlement Act land – most of whom are Native American – also face distinct challenges related to their education. School districts serving these students consult with tribal leaders, community stakeholders and parents to identify and address specific needs. While students face the often-stark realities of Reservation life – which in many places includes high rates of poverty and unemployment, rural and remote lifestyles and the intersection of different identities and cultures – schools address local priorities such as daily nutrition, physical and mental health supports, assistance with broadband access and technology and culturally relevant curriculum, including the integration of Native languages and traditions.

Section 7002 – Federal Property

Section 7002 – Federal Property reimburses school districts that have lost significant local tax revenue due to Federal ownership of land within school district boundaries. Examples of eligible Federal property includes: Army Corps of Engineers projects, VA hospitals, military academies, national laboratories, parks and grasslands. In FY 19 – the most recent year final payments have been made – 200 school districts received Section 7002 payments. Of these districts, 61 have 25 percent or more non-taxable Federal land.

In past years, Section 7002 has been eliminated in the President's budget blueprint. Arguments for this elimination often claim that these payments are made "without regard to the presence of federally connected children and, therefore, does not necessarily support the provision of educational services for these children," and that "the majority of LEAs receiving assistance under this program have now had sufficient time—70 years—to adjust to the removal of the property from their tax rolls."

These arguments miss the stated purpose of the program. While the application for Section 7002 funding does not require the counting of federally connected students, these districts serve students whose school district funding is impacted by federally owned lands. Regardless of the length of time the land has been removed from the tax rolls, the fact is that school districts must educate all students just as they were required to do before the Federal property was acquired. Eliminating this funding would shift the burden to local residents, which would require voter approval to raise taxes, or greatly impact the quality of services to students.

Section 7003 – Basic Support

Section 7003 – Basic Support provides payments to school districts that not only have a loss of tax revenue due to the presence of Federal property but also have additional costs of educating students who live on or whose parent(s) work on the Federal property. These students are children of members of the uniformed services, children who reside on Indian lands and in Federal low-rent housing, and children whose parents work on Federal property. Section 7003 is the largest component of the Impact Aid program, providing payments to more than 1,100 school districts educating more than 10 million students.

Section 7003 funding is based on a formula which takes into account several factors. Unlike most Federal education programs, the Section 7003 formula is driven by the actual cost of education as calculated by the National Center for Education Statistics. The formula also takes into account the number of federally connected students in a school district, where they live and/or if their parents work on or off Federal land. However, this formula has not been fully funded since 1969, leaving federally impacted school districts at a financial disadvantage compared to their non-federally impacted peers, and students are being short-changed.

Section 7003(d) – Children with Disabilities

Another important element of Impact Aid is funding for children with disabilities. This section, which provides funding for military-connected or Indian lands students with an active IEP, has been funded at \$48 million since 2008, despite rising costs of providing these services. This currently means a school district receives approximately \$1,200 per eligible student living on Federal property (or \$600 for military-connected students who do not live on a military installation). As the cost of special education rises, this \$48 million appropriation is stretched too thin, especially given the chronic underfunding of IDEA. School districts are continuing to educate their students with disabilities, spending significant general funds to do so.

Section 7007 - Construction

When originally enacted, Impact Aid provided financial resources to school districts solely for school construction. While construction is no longer a major focus of the program, it remains an important element. The Impact Aid construction program provides aid to school districts whose student population is at least 50 percent military-connected or living on Indian lands. The program, as written, is designated to be 40 percent formula funding to every eligible school district and 60 percent competitive funding for emergency and modernization grants. However, the program is currently significantly underfunded, so the funding has oscillated yearly between formula and competitive funding, and the competitive funding has only funded emergency needs.

Federally impacted school districts face the unique challenge of limited local tax revenue (and in turn, limited or non-existent bonding capacity). Many of these school districts are educating students in facilities with health and safety code violations, or that are more than 100 years old. In a 2017 survey of 218 federally impacted districts, NAFIS identified \$13 billion in unmet construction need, including \$4.2 billion in pressing need. Specific projects would address overcrowding, leaky roofs, cracked foundations, expired boilers, technology upgrades and more.

The Impact Aid construction program has been funded at \$17 million since 2006, when a decision was made to cut the construction program from \$50 million and shift those dollars to the Basic Support program. Federally impacted districts have had to postpone or cancel necessary infrastructure repairs or use risky or expensive funding methods to finance necessary projects.

The Impact Aid Infrastructure Act, which would provide a one-time infusion of funds for Impact Aid construction, has been introduced in the 115th and 116th Congresses, with bipartisan support. As major infrastructure bills have moved through Congress, most include dedicated funding for Impact Aid construction.

Recommendations for the Biden Administration

Impact Aid is the foremost Federal education program that supports the educational needs of both military-connected children and children living on Indian lands, yet it has been underfunded for over 50 years. This underfunding leaves federally impacted school districts with significant financial challenges, burdens local taxpayers and negatively impacts students.

The National Association of Federally Impacted Schools (NAFIS) represents the nation's 1,100-plus federally impacted school districts. NAFIS serves as an umbrella association for four subgroups – the Federal Lands Impacted Schools

Association (FLISA), Mid-to-Low LOT Schools (MTLLS), Military Impacted Schools Association (MISA) and National Indian Impacted Schools Association (NIISA). Together, these organizations comprise the NAFIS Family, representing every constituency in the Impact Aid program.

NAFIS staff have historically had a strong relationship with staff at the U.S. Department of Education Impact Aid Office and look forward to working with the Biden Administration to strengthen the program in the coming years.

We recommend the following funding increases for the Impact Aid program:

- **Section 7003: Basic Support - \$950 million to fully fund Basic Support**
- **Section 7002: Federal Property - \$54 million as a proportional increase to Section 7003**
- **Section 7003(d): Children with Disabilities - \$45 million to increase payment to \$2,000 per eligible student living on Federal land (or \$1,000 for a military-connected student living off base)**
- **Section 7007: Construction - \$32.6 million to return construction to the FY 2005 funding level of \$50 million**

Federally impacted school districts have been hit especially hard by the COVID-19 virus. Because of the historic underfunding of Impact Aid, these districts are at a financial disadvantage compared to their non-federally impacted peers. They are also serving student populations who have been heavily impacted by the pandemic: Native American communities have had extremely high infection and death rates, and military-connected students have faced uncertainty and difficult transitions. **NAFIS recommends that the next COVID package include dedicated Impact Aid funding to help districts meet increasing costs and upcoming state cuts.**

Impact Aid is one of the only education programs that is not forward funded. Because of this, government shutdowns and long-term Continuing Resolutions pose a challenge to federally impacted districts that rely on Impact Aid funding to pay bills throughout the year. If a Continuing Resolution extends past December, the U.S. Department of Education and the Office of Management and Budget must work together to provide an apportionment. **Please ensure your team is prepared for this process if a funding agreement is not yet reached.**

A major threat to Impact Aid in the last administration was support for a private school voucher program that would lead to cuts to Impact Aid. **We appreciate President-Elect Biden's opposition of vouchers and stand ready to work with the Administration to oppose any school choice programs that would threaten Impact Aid funding.**

The Impact Aid Office at the U.S. Department of Education is an important resource for all federally impacted school districts. **Please continue to support the stellar staff and leadership of this office and invest in the new Impact Aid Grant System to maintain the responsiveness and support federally impacted school districts have grown accustomed to expect.**