

# IMPACT AID ISSUE BRIEF

# HOLD HARMLESS

## SECTION 7003 BASIC SUPPORT

### What is the Hold Harmless?

In the 2015 reauthorization of the Elementary and Secondary Education Act, NAFIS successfully secured a three-year phase down Hold Harmless provision in the Basic Support program. Under this provision, if a district's Basic Support Payment drops by 20 percent or more in one year, the school district will receive a payment that is 90 percent of the previous year's payment. In the second year of Hold Harmless, the payment will be 85 percent of the year-one payment. In the third year, the payment will be 80 percent of the year-two payment. This gradual step-down allows affected districts time to adjust their expenditures and prepare for the eventual drop in Impact Aid payments.

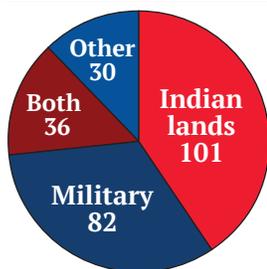
### Rationale

The Hold Harmless is designed to prevent a significant funding cliff based on demographic or other changes that affect a school district's payment. For example, military-connected school districts could potentially see a loss of students due to Base Realignment and Closure (BRAC), global rebasing, or long-term deployments. For many Indian lands and other school districts, a drop of just a handful of students can reduce a district's payment by 20 percent or more.

A school district's payment fluctuates each year, so a district should only be eligible for a Hold Harmless if there is a sizable drop in their payment. Because of the use of prior year data, districts can make some adjustments to their budgets when they see a drop in students from one year to another. However, if a district were to lose 20 percent, it could require substantial reprogramming (i.e. staffing reductions, program cuts, etc.).

The Hold Harmless also protects districts eligible for the Small District Adjustment. This provision establishes a 40 percent LOT payout minimum for a school district with fewer than 1,000 students and a per pupil expenditure (PPE) that is less than the state or national PPE. If one year the district would see either student growth that pushes them over 1,000 students or their per-pupil expenditure exceed the state or national average, they could see a major decrease in their Impact Aid payment. The Hold Harmless protects them from a sudden drop in their payments, giving them a cushion to adjust their expenditures to prepare for further drops in payments.

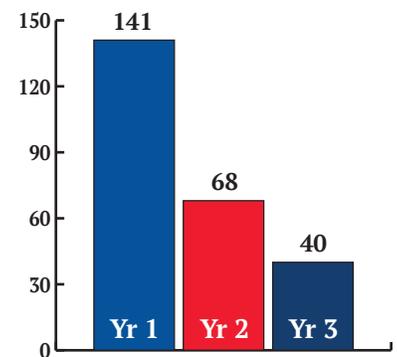
### Who Benefits?



Districts in Hold Harmless, by Type of Impactation

In FY 2019, 249 districts benefitted from the Hold Harmless provision. These districts were evenly split among Indian lands, military, and other federal impactations (see pie chart). Of these districts, over half were in the first year (see bar graph), with only 16 percent (or 40 districts total) in the third and final year. One in three districts (30.1 percent) in the Hold Harmless are also in the Small District Adjustment.

The total cost of the Hold Harmless (the difference in what the districts got because of the Hold Harmless and what they would have gotten absent any Hold Harmless) was \$38 million for FY 2019.



Districts in Hold Harmless, by Year