National Association of Federally Impacted Schools
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March 11, 2023

The Honorable Robert Aderholt	The Honorable Rosa DeLauro
Chairman	Ranking Member
Appropriations Subcommittee on	Appropriations Subcommittee on
Labor-HHS-Education and Related Agencies	Labor-HHS-Education and Related Agencies
U.S. House of Representatives	U.S. House of Representatives

Dear Chairman Aderholt and Ranking Member DeLauro:

The National Association of Federally Impacted Schools (NAFIS) strongly urges the House Labor-Health and Human Services-Education Appropriations Subcommittee to continue recognizing the Federal Government's obligation to federally impacted communities as you set funding priorities for the U.S. Department of Education.

Based on our analysis, we urge you to provide at least a $2 million increase for Federal Property, a $65 million increase for Basic Support, a $1.5 million increase for Construction and a $1.5 million increase for Children with Disabilities in the Department of Education's Impact Aid Program for FY 2024.

NAFIS represents the 1,100-plus Impact Aid-recipient school districts that together educate 10 million students across the nation. Impact Aid is the oldest elementary and secondary education program and is a partnership between local communities and the Federal Government where there is significant non-taxable property, such as military installations, Indian treaty or trust land, Alaska Native Claims Settlement Act land, Federal low-rent housing facilities, national parks and national laboratories. 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.

NAFIS is grateful for the Subcommittee's past support of the Impact Aid program, and we hope to see that support continue in FY 2024. Federally impacted school districts cannot afford stagnant appropriations or a loss of funding. FY 2024 will require additional funds to build on the important funding progress made in the last few years.

Section 7003 Basic Support: Although appropriations have increased in recent years, Basic Support remains significantly underfunded. The Basic Support payment formula is based on several factors, including the actual cost of education. That cost is measured by the Local Contribution Rate (LCR), which is based on per pupil expenditures (PPE) from three years prior.

Basic Support is currently funded at about 60% of the payment formula. Because the program is so underfunded, the Impact Aid law includes a proration factor called the Learning Opportunity Threshold (LOT), which measures the need a school district has for Impact Aid funds. The higher a school district's LOT, the more reliant it is on Impact Aid.
In 2020, for the first time in more than a decade, LOT paid out at over 100%. That means the

highest need Impact Aid districts got their full payment. However, hundreds of other school districts still received far less than they would have if the program were fully funded.

For FY 2021, the LOT Payout is estimated to be 98%. Whenever the LOT Payout is below 100%, all federally impacted school districts – including those with the most need that rely most heavily on Impact Aid funds to operate – receive payments below those calculated by the formula in the Impact Aid law.

Fiscal Year	**LOT Payout**	**LCR Rates**
FY 2011	97.066%	$5,215.00
FY 2012	96.109%	$5,330.00
FY 2013	87.061%	$5,404.50
FY 2014	91.730%	$5,406.00
FY 2015	93.074%	$5,386.00
FY 2016	93.690%	$5,468.00
FY 2017	92.332%	$5,635.50
FY 2018	96.187%	$5,840.50
FY 2019	98.138%	$6,036.00
FY 2020	101.15%	$6,268.50
FY 2021*	98%	$6,495.00
FY 2022*	100+%	$6,794.00
FY2023*	100+%	$6,947.00
	* Estimated final rates	

Due to the impact that COVID-19 had on state revenue nationwide, the LCR for FY 2023 actually dropped to 2.26% down from 4.6% in Fiscal Year 2022. The LOT percentage payout for FY 2023 is expected to reach 100%, however due to ESSER funding and state revenue increases, we expect that the LCR in the Impact Aid formula could increase between 3.5% and -5% in FY 2024 based on projected increases in per pupil expenditures for the 2020-2021 school year (NCES data will be available in September on which the FY 2024 LCR will be based). Without a corresponding increase in appropriations, the LOT Payout could drop substantially.

The increases in appropriations and LOT Payout have been critical for federally impacted school districts, especially given increased costs stemming from the COVID-19 pandemic. A $65 million increase for FY 2024 would build on these increases and help the program keep pace with the rising costs of education. With that increase, the 7003 Basic Support formula will still be approximately $850 million below fully funding its formula. We encourage Congress to make up this gap and set a glide path to fully fund the formula.

Section 7003(d) Children with Disabilities: Another important element of Impact Aid is the Children with Disabilities (CWD) section, which provides funding for military-connected or Indian lands students with an active Individualized Education Program (IEP). It has been funded at $48 million since 2008, despite rising costs of providing special education 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. Payments per CWD dropped from $1,215.65 in FY 2018 to $1,205.00 in FY20. FY 21 and FY 22 remain incomplete with the expectation that the dollar level will remain at or near $1,200. School districts are continuing to educate their students with disabilities, spending significant general funds to do so. Therefore, NAFIS seeks a $1.5 million increase for this line item.

Section 7002 Federal Property: We thank you for the $5 million increase in 7002 payments in FYs 2019 through 2023. For FY 2024, we request an additional $2 million to build on these increases. These funds will partially offset new costs as the Federal Government continues to take property off local tax rolls and as the value of taxable land on which the funding formula is based increases.

Section 7007 Construction: Finally, the Construction section of Impact Aid receives very little support, languishing at a $17 million level for the past several years. We are grateful for FY2023's increase of $1 million for this line item but even at $18 million Impact Aid Construction still falls woefully short of the $45 million it received in FY 2005. For FY2024, we request a $1.5 million increase over last year. Additionally, we recommend that FY 2024 Impact Aid Section 7007 funds be distributed under Section 7007(a) formula grants, since FY 2023 funds will be dispersed through Section 7007(b) competitive grants – as per language inserted in the annual House/Senate Appropriation Bill even years dollars as paid out under the formula provision 7007 (a) and odd years under 7007 (b) competitive grants.

Additional investments in Impact Aid are critical to help school districts close achievement gaps, update technology, expand access to early childhood and afterschool programs, integrate culturally relevant curriculum, replace failing infrastructure, offer competitive salaries to recruit and retain school leaders, and more. These investments help school districts provide supportive and nourishing learning environments for all students. Through increased funding, we ask you to continue to view the program as a critical Federal investment and a tax replacement program for federally impacted communities.

Sincerely,

Nicole Russell

Executive Director