

IMPACT AID ISSUE BRIEF

SCHOOL CONSTRUCTION

What Is the Impact Aid Construction Program?

Impact Aid was first signed into law in 1950 to fund school construction in federally impacted areas. It has included a construction program ever since. Today, the construction program is Section 7007 of the Every Student Succeeds Act.

In 1951, \$74.5 million was appropriated for the construction program, along with an additional \$25 million for contract authorizations.

In FY 2023, the construction program was funded at \$18.4 million, up from \$17.4 million in FY 2022 - the first increase in more than a decade. In 2006, a decision was made to cut the construction program from \$50 million and shift those dollars to the Impact Aid Basic Support program.

Rationale

Federal land – which is nontaxable – significantly impacts a school district’s ability to finance school infrastructure projects. Federally impacted districts have limited or (in some cases) no bonding capacity, meaning large construction and maintenance projects are not possible without dedicated Impact Aid construction funding. Therefore, the Federal government has accepted the responsibility for helping to fund construction in federally impacted school districts.

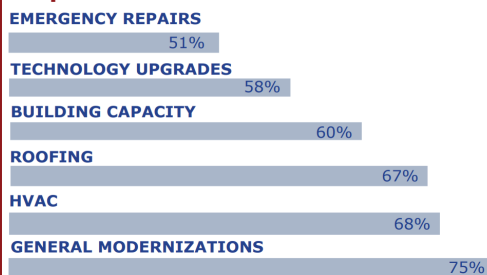
An Urgent Need

The broader education community has been increasingly discussing the need for Federal funding for K-12 school infrastructure, but the Impact Aid construction program remains the only Federal funding dedicated for this purpose. This funding is critical for federally impacted school districts and has fallen far short of need.

A 2017 NAFIS publication, *Foundations for Learning: The Facilities Needs of Federally Impacted Schools*, documented the great infrastructure needs in 211 federally impacted school district respondents, finding that more than \$4.2 billion is required to finance the most pressing infrastructure projects.

More than \$4.2 B in projects were identified as “the most pressing construction need.”

% Respondents Indicating Unmet Construction Needs of Federally Impacted School Facilities



Construction funding has been a longstanding NAFIS priority. In the 118th Congress, NAFIS secured introduction of the Impact Aid Infrastructure Partnership Act, which builds on the Impact Aid Infrastructure Act introduced in the 116th and 117th Congresses. Both bills seek to increase construction funding to address the urgent needs of federally impacted school districts. In addition, a one-time funding increase for the Impact Aid construction program was included in the American Recovery and Reinvestment Act (enacted in 2009), and the Impact Aid construction section would receive significant funds in the Rebuild America’s Schools Act (introduced in multiple Congresses).

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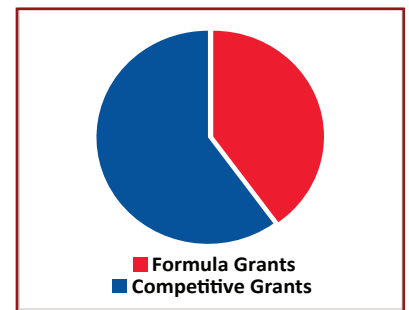
Eligibility The Impact Aid construction program includes both formula grants and competitive grants. School districts are eligible for Impact Aid construction formula grants and are given priority for competitive grants if they receive funds under Impact Aid Section 7003 and:

- serve either 50% or more students residing on Indian lands or 50% or more military-connected students, or
- receive funds from 7003(b)(2) (heavily impacted) program.

Program Funds In the law, program funds are split into two pots:

- 40% is allocated by formula to eligible school districts, and
- 60% is dedicated to competitive grants and typically assists districts with emergency facility needs.

In recent years, funding has been so low – \$18.4 million in FY 2023 – that Congress instead allocates the full funding to competitive and formula grants in alternating years rather than breaking them into the 40/60 percent split.



Formula Grants

Unlike most Impact Aid, which can be used for any general fund purpose, construction grant funds are restricted to use on construction projects, such as the preparation of drawings and specifications for school facilities; the construction, repair, modernization and expansion of these facilities; and debt service for such activities. These funds may be used immediately or deposited into a school district's capital fund and saved for future projects.

For formula grants, school construction funding is automatically allocated to eligible districts based on their Section 7003 applications. School districts do not need to apply separately for these funds. Half of all formula funding is allotted to military districts, and half is allotted to Indian lands districts. In FY 2022, 167 school districts received formula payments.

Competitive Grants

For competitive grants, applications are prioritized based on a district's ability to generate local funding (such as through bonding or state funding) and if it has a school facility emergency as determined by the Secretary of Education. "Emergency Request" grants are given first priority. "Modernization" grants would also be awarded if funds are available after all emergency grants have been made, but that has not been the case in recent years.

For each project, the Federal contribution cannot exceed 50% of the cost of the project, nor can it be more than \$4 million during any four-year period unless the district does not have the authority to tax or issue bonds. Because of the low funding level, few grants are awarded; for example, in FY 2023, three grant applications were funded.