

National Association of Federally Impacted Schools (NAFIS)  
prepared for the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies  
Department of Education, Impact Aid Program

Dear Chair Capito and Ranking Member Baldwin:

The National Association of Federally Impacted Schools (NAFIS) strongly urges the Senate 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 \$1,696,651,000 for the U.S. Department of Education's Impact Aid Program for FY 2026, a \$71.5 million increase over FY 2024 enacted levels. Specifically, we request \$82.5 million for Federal Property (a \$3.5 million increase), \$1,539,000,000 billion for Basic Support (a \$65 million increase), \$20.5 million for Construction (a \$1.5 million increase), and \$49,816,000 million for Children with Disabilities (a \$1.5 million increase) for FY 2026.

NAFIS represents approximately than 1,100 Impact Aid-recipient school districts that educate nearly eight million students nationwide. 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 trust and restricted 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 2026. Federally impacted school districts cannot afford stagnant appropriations or a loss of funding. FY 2026 will require additional funds to build on the important funding progress made in recent 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.

From FY 2020 to FY 2024, LOT paid out at over 100%, meaning that the highest need Impact Aid districts received their full payment. However, hundreds of other school districts still received significantly less than they would have if the program were fully funded.

In FY 2025, with stagnant funding for the program, the LOT Payout fell to 94.64%, meaning that all federally impacted school districts – including those with the most need that rely most heavily on Impact Aid funds to operate – received payments below those calculated by the prorated formula in the Impact Aid law.

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 and the number of federally connected students on IEPs rise, 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. Therefore, NAFIS seeks a \$1.5 million increase for this line item.

Section 7002 Federal Property: We thank you for the increase in 7002 payments in FYs 2019 through 2024. For FY 2026, we request an additional \$3.5 million to build on these increases. These funds will partially offset new costs as the Federal Government continues to take the property off local tax rolls and as the value of taxable land on which the funding formula is based increases.

Section 7007 Construction: We are grateful for FY 2024's increase of \$1 million for this line item but even at \$19 million Impact Aid Construction still falls woefully short of the \$45 million it received in FY 2005. For FY 2026, we request a \$1.5 million increase over last year. Additionally, we recommend that FY 2026 Impact Aid Section 7007 funds be distributed under Section 7007(a) formula grants, consistent with the longstanding practice of allocating even-year funds via formula grants and odd-year funds via Section 7007(b) competitive grants, as reflected in annual appropriations language.

Additional investments in Impact Aid are critical to help school districts close achievement gaps, update technology, expand access to early childhood and afterschool programs, 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,

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Director of Policy and Advocacy