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Federal Shutdown Putting Impact Aid School Districts at Risk

Prolonged closure could disrupt services in federally impacted school districts

Washington, D.C. – October 10, 2025 – With the federal government now shut down, the National Association of Federally Impacted Schools (NAFIS) is warning of potential consequences for the approximately 1,100 school districts across the country that rely on Impact Aid, a vital federal program supporting school districts located on or near non-taxable federal property.

Impact Aid partially reimburses school districts for lost local revenue and increased costs associated with the presence of federal land, such as military installations, Indian trust and restricted lands, federal low-rent housing, national parks, and other federally owned properties. Most school districts rely heavily on local taxes to fund education – an option not available to federally impacted districts. Impact Aid recognizes the federal government's responsibility to support education in these areas, though it has been underfunded for decades.

Unlike most federal K-12 programs, Impact Aid is not forward funded. That means appropriations for FY 2026 support the current 2025-2026 school year. Because no payments can be made during a shutdown, school districts may experience delays in receiving funds they depend on to keep their doors open until Congress passes a continuing resolution or final appropriations.

"Many school districts that rely on Impact Aid are already operating on tight budgets," said NAFIS Executive Director Cherise Imai. "A short shutdown may not create an immediate crisis, but as it stretches on, schools that rely on the program could be forced into tough decisions that affect their students, staff, and communities."

The realities facing federally impacted districts underscore Imai's warning.

"A government shutdown doesn't just halt federal operations – it puts students, teachers, and entire communities in limbo," said Hilary Bales, Superintendent of Waynesville R-VI School District (Missouri) and NAFIS Board Member. "Impact Aid isn't a luxury; it's a promise to the schools that serve our military families and Indian and federal lands. Every dollar of Impact Aid reaches students where it matters most – through teachers in the classroom, counselors who care, keeping buses running, and resources that help children thrive. Every day of delay threatens the stability and support these students deserve."

"Having set the 2025-2026 school budget with fifty percent of it reliant on Impact Aid, any and all delays in the Impact Aid Program immediately affect all programs and children in my districts," said Brian Gallup, Chair of East Glacier Park Elementary School District (Montana) Board of Trustees; Member of Browning Public Schools (Montana) Board of Trustees; and NAFIS School Board Liaison.

"Impact Aid is a vital funding source for schools with non-taxable federal lands and other public schools serving military and Native American students across our nation," said Craig Hutcheson, Superintendent of Kittatinny Regional School District (New Jersey) and NAFIS Board Vice President. "Impact Aid is uniquely vulnerable to a shutdown, delaying essential payments. This current funding year resource creates

uncertainty for districts and threatens our ability to budget and fund programs for our students, thus impacting all aspects of our school districts. When Congress stalls, unfortunately students and schools become collateral damage."

Key NAFIS Concerns on the Current Shutdown:

- **No Payments Until Appropriations Enacted:** When appropriations are finalized before the start of the fiscal year, school districts receive their initial Impact Aid payment in the fall. If the year begins under a continuing resolution, the U.S. Department of Education receives only a portion of its funding and prioritizes payments to the highest-need school districts. The shutdown halts the payment process entirely. Even when the government reopens, payments are not immediate.
 - FY 2025 started under a CR. Approximately 135 school districts received initial Impact Aid payments in October. Even if the shutdown ended tomorrow, those school districts will likely see a delay compared to last year.
- **Cash Flow Challenges:** Some districts receive more than 50% of their funding from Impact Aid. Extended delays in payments could force cuts to staffing, programs, and services – cuts that are difficult to reverse once funding resumes.
- **Future Funding at Risk:** A prolonged shutdown could disrupt the FY 2027 Impact Aid application cycle by preventing districts from accessing essential technical assistance, potentially jeopardizing future payments.

While many school districts can absorb short-term delays, prolonged uncertainty will have increasingly severe consequences, especially for communities that are heavily impacted by federal property.

"The federal government has a responsibility to fund the programs it mandates," Imai added. "Delays in Impact Aid funding ripple through school systems and ultimately affect the students who need support the most."

NAFIS urges Congress to take immediate action to restore federal operations and ensure the timely delivery of Impact Aid to eligible school districts across the country.

Read the NAFIS [FAQs on Impact Aid and the Federal Government Shutdown](#) to learn more.

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The National Association of Federally Impacted Schools (NAFIS) represents approximately 1,100 federally impacted public school districts that together educate nearly eight million students across the nation. Federally impacted school districts are those located on or near non-taxable Federal property, including military installations; Indian trust and restricted lands; Federal low-income housing facilities; and national parks, national laboratories, and other Federal buildings and property. These school districts receive Impact Aid, a Federal education program that reimburses school districts for the lost local revenue and additional costs associated with the presence of Federal property. To learn more, visit www.nafisdc.org.