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Prepared for the Subcommittee on Labor, Health and Human Services, Education, and Related Agencies regarding the U.S. Department of Education

Dear Chair Baldwin and Ranking Member Capito:

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 \$1,695,151,000 for the Impact Aid Program, a \$70 million increase over FY 2024 enacted levels. Specifically, we request \$81 million for Federal Property (a \$2 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 in the Department of Education's Impact Aid Program (a \$1.5 million increase) for FY 2025.

NAFIS represents approximately 1,100-plus Impact Aid-recipient school districts that educate more than 8 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 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 2025. Federally impacted school districts cannot afford stagnant appropriations or a loss of funding. FY 2025 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.

If 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.

NAFIS remains concerned about the impact ESSER funds and state revenue increases will have on LCR rates in the coming years. 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 2025 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.

Fiscal Year	LOT Payout	LCR Rates
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	101.51%	\$6,495.00
FY 2022	100.938%	\$6,794.00
FY 2023	104%	\$6,947.50
FY 2024*	101%*	\$7,44.50
* estimate		

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 2025, 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 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 FY2024’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 FY2025, we request a \$1.5 million increase over last year. Additionally, we recommend that FY 2025 Impact Aid Section 7007 funds be distributed under Section 7007(b) competitive grants, since FY 2024 funds will be dispersed through Section

7007(a) 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
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