



NATIONAL INDIAN EDUCATION ASSOCIATION

## IMPACT AID

*The National Indian Education Association (NIEA) is the nation's largest and most inclusive organization advocating for comprehensive culture-based educational opportunities for American Indians, Alaska Natives, and Native Hawaiians.*

### What is Impact Aid?

Impact Aid is a federal program that reimburses Local Education Agencies (LEAs) impacted by federal lands. An LEA is *federally impacted* if it is affected by lands that are owned by the federal government or have been removed from local tax rolls by the federal government. Most LEAs are not federally impacted and are funded by local taxes such as property taxes, income taxes, sales taxes, and local licenses and fees.

Federal lands, including Trust lands, are not subject to local taxation. Therefore, federally impacted LEAs which serve Native children miss out on tax revenue that would otherwise be generated by residential, business, and industry activities that occur on the federal lands that affect them. The Impact Aid program provides direct, flexible funds to such LEAs to partially reimburse them for the tax loss they experience.

### Who Gets Impact Aid?

While there are four types of Impact Aid funding, Basic Support Payments (BSP) account for over ninety three percent of Impact Aid spending and is responsible for financially supporting LEAs that educate *federally connected children*. These are students whose parent(s) or guardian(s) live and/or work on federal lands. To be eligible for assistance a local school district must educate at least 400 such children in daily attendance or the federally connected children must make up at least 3 percent of the school districts total average daily attendance. There are six categories of federally connected children whose LEAs are eligible for BSP. One is children who reside on *Eligible Indian Lands*, broadly defined as Indian Trust, Treaty, or Alaska Native Claims Settlements Act lands. Indian Policies and Procedures (IPPs) are required for LEAs that educate federally connected children who live on Indian lands to ensure they meet certain requirements, including to assess the extent to which Native students (versus non-Native students) participate in education programs. Impact Aid also require LEAs to consult with Tribal Nations and the parents of Native children.

### Impact Aid Funding

Congress determines how much is appropriated to Impact Aid every year. As such, the program has not been fully funded since 1969. In recent years, BSP have been underfunded by about forty percent. Consequently, the Department of Education uses a needs-based formula to determine how the limited funds are allocated.

For BSP, one of the factors that determines how much an LEA receives is the categories of federally connected children it educates. Congress has assigned each category a weight depending on its associated degree of tax loss. The higher the weight, the greater the degree of tax loss, and the more funding,

proportionally, that category receives. Children who reside on Indian lands are the most heavily weighted, meaning their per-pupil is much higher than that of other categories.

	FY 2021	FY 2022	FY 2023
Federally Connected Children	\$1,732.53	\$1,732.53	\$1,878.37*
Federally Connected Children residing on Indian lands	\$7,332.45	\$7,332.22	\$7,826.06*

\*FY 2023 per-pupil spending amounts are estimated based on Department of Education data.<sup>i</sup>

### Equalization

As Impact Aid is meant to counteract local tax loss, states are prohibited from reducing an LEA's state aid because it receives Impact Aid. However, there is an exception known as *equalization*. If a state's finance formula is designed to equalize expenditures for all LEAs (e.g., a per-school formula) and if the per-pupil spending is not too disproportional, then a state is *equalized* and can reduce the state aid it gives to federally impacted LEAs. Recently, Kansas, New Mexico\*, and Alaska have been equalized states.

\*New Mexico recently changed its equalization status, heralded as a success for Native students<sup>ii</sup>.

### NIEA Advocacy

NIEA advocates for several provisions that will strengthen the Impact Aid program.

- **Increased Funding.** Impact Aid is chronically underfunded and always at risk of spending cuts. This particularly burdens those LEAs that depend heavily on BSP, including rural and remote LEAs. NIEA therefore advocates for full funding of Impact Aid.<sup>iii</sup>
- **Tribally Controlled Schools.** NIEA advocates for expanding the Impact Aid Program to include Tribally Controlled Schools (TCSs). Currently, TCSs are not eligible for Impact Aid because they are federally funded. However, TCSs are in a unique situation, as they are not run by the federal government, but rather by Tribal Nations. Tribal governments do not collect tax revenue and face similar shortfalls as low-income LEAs due to the complex nature of competing interests for taxation with States. Expanding Impact Aid to these schools would increase funding parity with neighboring public schools and give them the funding and flexibility required to serve their students.<sup>iv</sup>
- **Native Hawaiian Students.** The definition of Indian lands does not include Hawaiian homelands. This means there are no specific considerations for Native Hawaiian students under Impact Aid law. NIEA advocates for extending the program to include Native Hawaiian homelands and students.
- **Repealing Equalization.** The equalization formula burdens LEAs that are highly dependent on Impact Aid, such as rural and remote schools which serve Native students. These schools are likely to receive high per-pupil BSP, which in equalized states, then receive reduced state aid. This creates an undue hardship for those Native students attending schools in states where the equalization formula is in use.<sup>v</sup>

For additional information, please contact Julia Wakeford, NIEA Policy Director, [jwakeford@niea.org](mailto:jwakeford@niea.org)

<sup>i</sup>Department of Education. "IMPACT AID Fiscal Year 2023 Budget Request." <https://www2.ed.gov/about/overview/budget/budget23/justifications/b-impactaid.pdf>.

<sup>ii</sup>Office of the Governor. "Governor signs impact aid legislation, boosting financial support for many schools."

<https://www.governor.state.nm.us/2021/04/05/governor-signs-impact-aid-legislation-boosting-financial-support-for-many-schools/>.

<sup>iii</sup> NIEA. "2008-02: Support Full Funding of Federal Impact Aid." <https://www.niea.org/niea-resolutions-2008/support-full-funding-of-federal-impact-aid?rq=impact%20aid>.

<sup>iv</sup> NIEA. "2021-01: Expanding Access to Impact Aid for Tribally Controlled Schools." <https://www.niea.org/niea-resolutions-2021/2021-01-expanding-access-to-impact-aid-for-tribally-controlled-schools?rq=impact%20aid>.