

DAVID Y. IGE
GOVERNOR



KATHRYN S. MATAYOSHI
SUPERINTENDENT

DEPT. COMM. NO. 164

STATE OF HAWAII
DEPARTMENT OF EDUCATION
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

November 1, 2016

The Honorable Ronald D. Kouchi, President
and Members of the Senate
State Capitol, Room 409
Honolulu, Hawaii 96813

The Honorable Joseph M. Souki, Speaker
and Members of the House of
Representatives
State Capitol, Room 431
Honolulu, Hawaii 96813

Dear President Kouchi, Speaker Souki, and Members of the Legislature:

For your information and consideration, I am transmitting a copy of the Federal Impact Aid, United States Department of Defense Funds, and Federal Indirect Overhead Reimbursements report for fiscal year 2015-2016, pursuant to Section 29-25(d), Hawaii Revised Statutes (HRS). In accordance with Section 93-16, HRS, I am also informing you that the report may be viewed electronically at:
<http://www.hawaiipublicschools.org/VisionForSuccess/SchoolDataAndReports/StateReports/Pages/Legislative-reports.aspx>

Very truly yours,

A handwritten signature in black ink, appearing to be "KSM".

K Kathryn S. Matayoshi
Superintendent

KSM:lgf
Enclosures

c: Legislative Reference Bureau
Budget Branch

LEGISLATIVE REPORT
Section 29-25(d), Hawaii Revised Statutes
Federal Impact Aid, United States Department of Defense Funds,
and Federal Indirect Overhead Reimbursements

INTRODUCTION: Section 29-25(d), Hawaii Revised Statutes requires the Department of Education (DOE) to annually report the exact amount and specific nature of federal impact aid, United States Department of Defense (USDOD) funds, and federal indirect overhead reimbursements received.

Federal impact aid is authorized by Title VII of the Elementary and Secondary Education Act and has been around since 1950. The purpose of federal impact aid is to provide formula grants to local school districts financially impacted by the presence of nontaxable federal land and installations, to help cover a portion of the additional costs associated with the federal presence.

The federal government provides aid to school districts that have (a) lost tax revenues (income, sales, property tax) due to a federal presence, and (b) incurred the cost of providing educational services for federally connected students. A federally connected student is a student whose parent(s) work on and/or live on federal property (i.e., low income housing, military installations, Native American lands, national parks, research facilities).

Federal impact aid funds support approximately 3% of the DOE's operating costs each year.

ANALYSIS OF THE DATA:

The DOE received the following amounts during fiscal year (FY) 2015-16:

Federal Impact Aid:	
Basic Support Payments – Regular Education	\$39,151,601
Disabilities Payment-Special Education	\$ 1,171,111
Total	\$40,322,712
USDOD Funds	\$1,790,268
Financial Assistance Payment for Children with Severe Disabilities	\$379,121
Total	\$2,169,389
Federal Indirect Overhead Reimbursements	\$1,720,722

The federal impact aid amount received in FY 2015-16 was \$40.3 million, an increase of \$6.6 million compared to the \$33.7 million received in FY 2014-15. The annual impact aid receipts fluctuate from year to year, as the award is subject to congressional appropriation, the total enrollment count of federally connected students in school districts nationwide that meet the eligibility requirement, the total number of survey cards filled out by parents of the DOE's federally connected students, and the United States Department of Education's ability to verify, audit, and compute awards for all eligible school districts in a timely manner.

The USDOD FY 2015-16 collections decreased by \$1,675,156 compared to FY 2014-15. The DOE's USDOD allocation is subject to congressional appropriation, the total enrollment count of military connected students in school districts nationwide that meet the eligibility requirement, and the total number of military connected parents that submit response to impact aid survey.

The FY 2015-16 federal indirect overhead reimbursements decreased by \$753,352 compared to FY 2014-15. The level of reimbursements is determined by the rate that is negotiated with the federal government and the level of eligible expenditures. The decrease is attributed to a reduction in the unrestricted rate from 12.5% in FY 2014-15 to 3.6% in FY 2015-16.

FINDINGS:

The level of impact aid and USDOD funds appropriated and allocated by the federal government is volatile and cannot be assumed as guaranteed on an annual basis. The high degree of uncertainty with the federal government's commitment to maintain funding for the Federal Impact Aid and USDOD Supplement to Impact Aid programs has persisted, particularly as Congress and the federal executive branch continue to weigh across the board versus targeted budget cuts.

**RECOMMEN-
DATIONS:**

The DOE will continue participating in organizations such as the National Association of Federally Impacted Schools and Military Impacted Schools Association, and will encourage Hawaii's congressional delegation to support maintaining and increasing impact aid and USDOD appropriations to provide supplementary funding for our public school system.