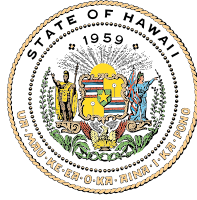


JOSH GREEN, M.D.
GOVERNOR



KEITH T. HAYASHI
SUPERINTENDENT

STATE OF HAWAII
DEPARTMENT OF EDUCATION
KA 'OIHANA HO'ONA'AUAO
P.O. BOX 2360
HONOLULU, HAWAII 96804

OFFICE OF THE SUPERINTENDENT

December 22, 2022

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

The Honorable Scott K. Saiki, Speaker
and Members of the House of Representatives
State Capitol, Room 431
Honolulu, Hawaii 96813

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

For your information and consideration, I am transmitting a copy of the annual report, Federal Impact Aid, United States Department of Defense Funds, and Federal Indirect Overhead Reimbursements, 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>.

Sincerely,

A handwritten signature in blue ink, appearing to read "Keith T. Hayashi".

Keith T. Hayashi
Superintendent

KTH:kc

c: Legislative Reference Bureau
Hawaii State Public Library System
University of Hawaii
Office of Fiscal Services



State of Hawaii
Department of Education

Annual Report on Federal Impact Aid, United States Department of Defense Funds, and Federal Indirect Overhead Reimbursements

December 2022

Section 29-25(d), Hawaii Revised Statutes, requires the Hawaii State Department of Education to annually report on the exact amount and specific nature of federal impact aid, United States Department of Defense Funds, and Federal Indirect Overhead Reimbursements received.

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 Hawaii State Department of Education (Department) 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 allocated 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) works on and/or lives on federal property (i.e., low income housing, military installations, Native American lands, national parks, research facilities).

Federal impact aid funds support approximately two percent of the Department's operating costs each year.

ANALYSIS OF THE DATA:

The Department received the following amounts during fiscal year (FY) 2021-22:

Federal Impact Aid:

Basic Support Payments-Regular Education	\$38,898,891
<u>Disabilities Payment-Special Education</u>	<u>1,088,169</u>
Total	\$39,987,060

USDOD Funds:

Department of Defense Impact Aid	\$4,219,579
Financial Assistance Payments for	
<u>Children with Severe Disabilities</u>	<u>990,945</u>
Total	\$5,210,524

Federal Indirect Overhead Reimbursements \$977,063

Federal impact aid amounts received in FY 2021-22 totaled \$40.0 million, a decrease of \$7.9 million compared to the \$47.9 million received in FY 2020-21. 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 Department'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 2021-22 collections increased by \$381,340 compared to FY 2020-21. The Department'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 responses to the impact aid survey.

The FY 2021-22 federal indirect overhead reimbursements decreased by \$891,135 compared to FY 2020-21. The level of reimbursements is determined by the rate that is negotiated with the federal government and the level of eligible expenditures.

FINDINGS:

The level of federal 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.

**THE
DEPARTMENT'S
ROLE:**

The Department 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.