State of Hawai‘i
Department of Education

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

November 2026

Section 29-25(d), Hawai‘i Revised Statutes, requires the Hawai‘i 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), Hawai‘i Revised Statutes

Federal Impact Aid, United States Department of War Funds, and Federal Indirect Overhead Reimbursements

INTRODUCTION:

Section 29-25(d), Hawai‘i Revised Statutes, requires the Hawai‘i State Department of Education (Department) to annually report the exact amount and specific nature of Federal Impact Aid, United States Department of War (USDoW) 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 non-taxable 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, and 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, or 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) 2025-2026:

Federal Impact Aid:	
Basic Support Payments-Regular Education	$54,420,196
Disabilities Payment-Special Education	$1,250,759
Total	$55,670,955
USDoW Funds:	
Department of War Impact Aid	$4,356,019
Financial Assistance Payments for Children with Severe Disabilities	$1,039,703
Total	$5,395,722
Federal Indirect Overhead Reimbursements	$2,075,025

Federal Impact Aid amounts received in FY 2025-2026 totaled $55.7 million, an increase of $7.8 million compared to the $47.9 million received in FY 2024-2025. 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 USDoW FY 2025-2026 collections decreased by $1.5 million compared to FY 2024-2025. The Department's USDoW 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 2025-2026 federal indirect overhead reimbursements decreased by $246,000 compared to FY 2024-2025. 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 USDoW 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 USDoW Supplement to Impact Aid programs has persisted, particularly as the new Executive Branch Administration and Congress 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 the Military Impacted Schools Association and will encourage Hawai‘i's Congressional delegation to support maintaining and increasing Impact Aid and USDoW appropriations to provide supplementary funding for our public school system.