

United States Senate

WASHINGTON, DC 20510

September 21, 2012

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202

Dear Secretary Duncan:

On behalf of federally impacted school districts nationwide, we are writing to express our concern about the Fiscal Year (FY) 2013 payout process of Federal Impact Aid funds.

As you know, sequestration, per the Budget Control Act of 2011, is set to take effect on January 2, 2013. As the Department of Education (Department) clarified in July 2012, Impact Aid – as the only current-year funded education program – will suffer an immediate cut from FY 2013 funds, right in the middle of the 2012-2013 school year. We understand the unique circumstances and budgetary difficulties Impact Aid school districts encounter annually as a current-year funded program. And we share in their frustration of delayed dollars when Congress does not adopt a full-year appropriations bill until after the start of the fiscal year. Because we understand the basic and critical nature of Impact Aid funds, we feel it necessary to highlight the negative effect of these combined factors.

In August 2012, the Department announced that initial allocations for FY 2013 Basic Support payments would be set at 45% of their calculated payment. (By comparison, the initial FY 2012 and FY 2011 rates were 65% and 90%, respectively.) While we understand this payout is to account for budget uncertainty (sequestration) and the lack of a full-year appropriation (six-month continuing resolution), the low payout will hamper school districts' ability to operate. In this scenario, all federally impacted districts will receive a partial payment, leaving many of these school districts (particularly those with very high percentages of federally-impacted students) with severe budgetary difficulties.

At the current rate, the Department will not increase payments above 45% until early April. This is deeply concerning, as we continue to hear from school personnel as they struggle to operate without full Impact Aid payments. Due to the unique circumstance of Impact Aid's current-year funding structure, school districts will be forced to dip into reserve funds, obtain credit or a bank loan, increase local revenue, and/or lay off staff without additional support. Also, initial payments to Federal Property districts are not made until after Basic Support payments, so the current process could delay payments to these school districts as well.

We know you and the Department staff are committed to allocating appropriate payments to school districts in an efficient manner; however, we remain concerned about what this will mean for federally impacted schools, the communities they serve, and most of all, students. We ask

that you use all available tools to ensure the Impact Aid Program Office has the necessary resources required to process payments, provide certainty to school districts, and disburse the highest possible payout of the funds obligated to these school districts as quickly as possible.

Thank you in advance for your time and consideration on this issue.

Sincerely,



Senator Max Baucus




Senator Patty Murray



Senator Mike Crapo



Senator Charles E. Schumer



Senator Tom Udall



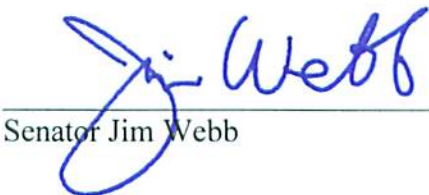
Senator Mike Lee



Senator Jack Reed



Senator Kent Conrad



Senator Jim Webb



Senator Al Franken



Senator Bernard Sanders



Senator Mark Begich



Senator Jon Tester



Senator Dianne Feinstein



Senator Debbie Stabenow



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Senator Michael F. Bennet



Senator Tim Johnson



Senator Frank R. Lautenberg



Senator John Hoeven



Senator Daniel K. Inouye