

Funding for the Impact Aid Program: Options for Budget Year Appropriations, Forward Funding, and Advance Appropriations

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Funding for the Impact Aid Program: Options for Budget Year Appropriations, Forward Funding, and Advance Appropriations

Administered by the U.S. Department of Education (ED), the Impact Aid program is one of the oldest federal education programs, dating from 1950. Impact Aid, authorized under Title VII of the Elementary and Secondary Education Act (ESEA, P.L. 89-10, as amended), compensates local educational agencies (LEAs) for the financial burden resulting from certain federal activities carried out in their areas. These activities include federal ownership of certain lands, as well as the enrollments in LEAs of children of parents who work or live on federal land (e.g., children of parents in the uniformed services and children living on Indian lands). The federal government provides compensation because these activities deprive LEAs of the ability to collect property or other taxes from these individuals (e.g., members of the uniformed services living on military bases) or their employers, even though the LEAs are obligated to provide free public education to their children. Impact Aid also provides support for certain students with disabilities and for school construction.

The largest Impact Aid component, Section 7003(b) payments (also known as Basic Support Payments), compensates LEAs for enrolling “federally connected” children. For FY2026, Section 7003(b) accounted for \$1.477 billion, 90.6% of all funds appropriated for the Impact Aid program. As Section 7003(b) payments account for the majority of all Impact Aid funding, this report primarily focuses on these payments.

All Impact Aid payments are funded through the Labor, Health and Human Services, Education, and Related Agencies (L-HHS-ED) annual appropriations act. Funds are provided through “budget year appropriations,” meaning the funds would be available for the budget year beginning on the first day of the fiscal year (e.g., October 1, 2025, for the FY2026 L-HHS-ED appropriations act), unless otherwise specified. This availability generally is retroactive to October 1 if annual appropriations are enacted after the fiscal year has begun. The Impact Aid program is also authorized to receive appropriations through advance appropriations and forward funding. In current practice, advance appropriations become available one fiscal year after the budget year covered by a given appropriations act (e.g., appropriations provided for FY2027 in an FY2026 appropriations act). Forward funding becomes available during the last quarter of the budget year (e.g., starting July 1, 2026, for the FY2026 appropriations act) but remains available through at least the following fiscal year (e.g., available from July 1, 2026, through September 30, 2027).

Without advance appropriations or forward funding, when full-year appropriations are not provided prior to the beginning of the budget year, LEAs are generally unable to receive their full Section 7003(b) payments until sometime after October 1. This can create financial difficulties for LEAs, particularly those that are heavily dependent on Impact Aid funding. Providing funds for Section 7003(b) payments through advance appropriations or forward funding has the potential to ease some of these difficulties, but either change has budget enforcement implications that may complicate any attempt to transition to an alternative funding schedule.

This report considers three different appropriations scenarios for Impact Aid Section 7003(b) payments that are an alternative to budget year appropriations: (1) providing forward funding for Section 7003(b) payments, (2) providing advance appropriations for Section 7003(b) payments, or (3) using both forward funding and advance appropriations to provide Section 7003(b) payments, as is done for other federal education programs such as Title I-A Grants to Local Educational Agencies authorized by the ESEA or Grants to States authorized under Part B of the Individuals with Disabilities Education Act (IDEA). Each of these scenarios has budget implications that may require at least a one-time increase in discretionary appropriations, a change in the limit set on advance appropriations (if applicable), or some combination of both.

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Introduction

Administered by the U.S. Department of Education (ED), the Impact Aid program is one of the oldest federal education programs, dating from 1950. Impact Aid, authorized under Title VII of the Elementary and Secondary Education Act (ESEA, P.L. 89-10, as amended), compensates local educational agencies (LEAs) for the financial burden resulting from certain federal activities carried out in their areas.¹ These activities include federal ownership of certain lands, as well as the enrollments in LEAs of children of parents who work or live on federal land (e.g., children of parents in the uniformed services and children living on Indian lands). The federal government provides compensation because these activities deprive LEAs of the ability to collect property or other taxes from these individuals (e.g., members of the uniformed services living on military bases) or their employers, even though the LEAs are obligated to provide free public education to their children. Impact Aid also provides support for certain students with disabilities and for school construction.

The largest Impact Aid component, Section 7003(b) payments (also known as Basic Support Payments), compensates LEAs for enrolling “federally connected” children. These are children who reside with a parent who is a member of the uniformed services living on or off federal property; reside with a parent who is an accredited foreign military officer living on federal property; reside on Indian lands; reside in low-rent public housing; or reside with a parent who is a civilian working or living on federal land. For FY2026, Section 7003(b) payments accounted for \$1.477 billion, 90.6% of all funds appropriated for the Impact Aid program. As Section 7003(b) payments account for the majority of all Impact Aid funding, this report primarily focuses on them. The **Appendix** provides a brief description of other payments made under the Impact Aid program.

The purpose of this report is to describe options for adjusting the timing of when Impact Aid appropriations become available for obligation to carry out Section 7003(b).² The Section 7003(b) payments represent the largest federal elementary and secondary education program administered by ED that is funded in annual appropriations acts using “budget year appropriations,” meaning funding for a school year does not become available until the first day of the fiscal year (October 1), which occurs after the school year has begun. The use of budget year appropriations to fund Section 7003(b) payments can create some complexities for the LEAs that receive these funds. For example, the current timing of enactment and availability of federal funds provided through Impact Aid may make it difficult for LEAs to include these funds in their budget planning process. In addition, the allocation of funds to LEAs is delayed in instances where the federal government is operating under a temporary continuing resolution (CR) at the beginning of the fiscal year until regular appropriations bills or a full-year CR is enacted. Thus, LEAs may experience delays in receiving their funds. Other funding approaches used in annual appropriations acts could be applied to the Section 7003(b) payments to address these issues.

¹ The U.S. Department of Defense (DOD) also administers programs that are often referred to as the “DOD Impact Aid programs.” (DOD is “using a secondary Department of War designation,” under Executive Order 14347 of September 5, 2025.) These programs are authorized through the National Defense Authorization Act. They are not discussed in this report. For more information about these programs, see CRS Report R45400, *Impact Aid, Title VII of the Elementary and Secondary Education Act: A Primer*.

² Appropriations bills provide agencies budget authority, which is authority provided by federal law to enter into contracts or other financial obligations that will result in immediate or future expenditures (or outlays) involving federal government funds. For explanations of these terms, see Government Accountability Office (GAO), *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, September 2005, pp. 20-21, <https://www.gao.gov/products/gao-05-734sp>.

This report begins by explaining how Section 7003(b) activities are currently funded through “budget year appropriations” and the effect that period of availability has on those activities. It then discusses alternatives to providing funding through budget year appropriations, including forward funding and advance appropriations. The final section analyzes the way in which adopting an alternative period of availability such as forward funding, advance appropriations, or a combination approach (forward funding and advance appropriations) would affect the appropriations process. More specifically, it discusses the appropriations actions required to make these changes and the ways in which this would affect the annual appropriations process, both once the alternative period of availability was fully implemented and in the transition fiscal year.³

Overview of Impact Aid Section 7003(b) Payments

Program Activities

Section 7003(b) of the ESEA authorizes payments (often referred to as Basic Support Payments) to LEAs to compensate them for the cost of serving certain groups of federally connected children. Federally connected children include

- children living on Indian lands;
- children who live on federal land *and* whose parents are employed on federal land, are members of the uniformed services, or are accredited foreign military officers;
- children with a parent in the uniformed services living off the base;
- children living in low-rent public housing; and
- children whose parents otherwise work on federal land but do not live on federal land.

The presence of these children can increase the number of children an LEA must serve without a commensurate increase in the taxes that otherwise could be collected to support public education. To be eligible for Section 7003(b) payments, an LEA must have at least 400 federally connected children, or such children must represent at least 3% of an LEA’s average daily attendance (ADA). Of the more than 17,000 LEAs nationwide,⁴ 932 LEAs were eligible for a Basic Support Payment in FY2025.⁵ Thus, fewer than 10% of all LEAs qualify for Section 7003(b) payments.

For FY2026, \$1.477 billion was appropriated for Section 7003(b) payments. These payments accounted for 90.6% of the \$1.630 billion provided overall for the Impact Aid program. Section 7003(b) payments differ from funds provided by most other federal elementary and secondary education programs in that they are not limited to specified uses (such as improving the educational achievement of disadvantaged students). Section 7003(b) payments are considered

³ For general information about advance appropriations and forward funding, see CRS Report R43482, *Advance Appropriations, Forward Funding, and Advance Funding: Concepts, Practice, and Budget Process Considerations*. For more information about Impact Aid programs, see CRS Report R45400, *Impact Aid, Title VII of the Elementary and Secondary Education Act: A Primer*.

⁴ The most recent data available from the U.S. Department of Education (ED) are for the 2021-2022 school year, when 13,318 regular school districts and 4,149 independent charter districts were operating in the United States (see Table 214.30 in ED, National Center for Education Statistics, *Digest of Education Statistics*, https://nces.ed.gov/programs/digest/d22/tables/dt22_214.30.asp?current=yes). Other types of elementary and secondary education agencies include, for example, regional education service agencies, supervisory union administrative centers, and state-operated agencies.

⁵ ED, *Justifications of Appropriation Estimates to the Congress: FY2027*, <https://www.ed.gov/media/document/fy-2027-congressional-justification-impact-aid-113527.pdf> (hereinafter ED, *FY2027 Budget Justifications*).

general aid to the recipient LEA. The funds may be used for any purpose selected by the LEA in accordance with state and local requirements. Funds are often used for current expenditures (e.g., teacher salaries, purchasing instructional materials, tutoring) but may also be used for other purposes such as capital expenditures.⁶ In addition, funds need not be spent only on federally connected children. Finally, because Impact Aid payments are not aimed at specific educational goals, accountability requirements for the use of funds or for specific outcomes are minimal.

Current Funding Approach

The federal government’s fiscal year starts on October 1 of one calendar year and ends on September 30 of the following calendar year.⁷ A federal fiscal year is identified by the calendar year in which it ends.⁸ For example, FY2025 began on October 1, 2024, and ended on September 30, 2025. Funding for federal programs provided through the annual appropriations process typically becomes available for obligation by a federal agency on the first day of the fiscal year for which the act makes appropriations, unless otherwise specified. For example, acts making appropriations for FY2026 typically provided funds that first became available to federal agencies for obligation on the first day of FY2026, October 1, 2025.⁹ This period of availability is also referred to as the *budget year*. For the purposes of this report, such periods of availability are referred to as “budget year appropriations.”

The Impact Aid program is funded using budget year appropriations provided in the Labor, Health and Human Services, Education, and Related Agencies (L-HHS-ED) appropriations act. Since school years typically begin in the months preceding the October start of a new fiscal year, this means that funds become available for use during a school year after that school year has started. Of the elementary and secondary education programs administered by ED that received \$1 billion or more in annual appropriations in FY2026, only Impact Aid Section 7003(b) received budget year appropriations.¹⁰

The use of budget year appropriations to fund Section 7003(b) payments can create some complexities for the LEAs that receive these funds. For example, because of the timing of the school year, substantial planning and preparation for the upcoming year by LEAs tends to occur during the spring and summer months. However, the current timing of enactment and availability of federal funds provided through Impact Aid may make it difficult for LEAs to include these funds in their budget planning process. In addition, the allocation of funds to LEAs is delayed in instances where the federal government is operating under a temporary CR at the beginning of the fiscal year until regular appropriations bills or a full-year CR is enacted. In the case of a CR, LEAs that must have an initial Basic Support Payment in the first quarter of the fiscal year to meet current operating costs are able to request an early payment from ED.¹¹ However, payments provided by ED in such instances are partial Basic Support Payments.

LEAs dependent on Impact Aid funding also are affected more quickly by any decrease (or increase) in funding than LEAs receiving funds under other federal elementary and secondary

⁶ ED, “Impact Aid Program Overview,” January 14, 2025, <https://www.ed.gov/about/ed-offices/oese/impact-aid-program/impact-aid-program-overview>.

⁷ 31 U.S.C. §1102.

⁸ 1 U.S.C. §105.

⁹ 1 U.S.C. §105.

¹⁰ See the subsequent section for a discussion of funding for other ED-administered elementary and secondary education programs that received at least \$1 billion in FY2026 appropriations.

¹¹ ED, *Overview of Impact Aid Section 7003 Formula Grants*, p. 40, <https://impactaid.ed.gov/wp-content/uploads/2026/08/Overview-of-Section-7003.pdf>.

education formula grant programs. For example, as a result of the FY2013 sequester, Impact Aid funding was reduced immediately during the 2012-2013 school year, while the decrease in funding for federal education programs receiving forward funding or advance appropriations did not affect LEAs until the following school year (2013-2014). The uncertainty related to the provision of budget year appropriations due to CRs or other situations such as sequestration or government shutdowns can create financial difficulties for LEAs, particularly those that are heavily dependent on Impact Aid funding.¹²

Alternative Funding Approaches for Section 7003(b) Payments: Advance Appropriations and Forward Funding

Rather than providing appropriations for Impact Aid after a school year is underway, program funding could be provided prior to the start of the school year, as is done with several other education grant programs. In general, this alternative approach would provide appropriations months in advance of when they would become available with budget year appropriations (i.e., prior to the start of the school year in which they would be used). Such a process would presumably allow LEAs to incorporate funding with more certainty in their planning process for the upcoming school year. In addition, if appropriations acts were delayed in any given fiscal year, LEAs presumably would be less likely to be adversely affected for the purposes of the upcoming school year.

While appropriations could be made available at any time, as specified in the appropriations act in which they are enacted, two such conventions have been used for certain other ED programs to accommodate the disconnect between the federal fiscal year and the school year—advance appropriations and forward funding.¹³ For example, programs administered by ED that received total annual appropriations for a fiscal year of at least \$1 billion in FY2026 and received both advance appropriations and forward funding include the following: (1) Title I-Grants to Local Educational Agencies (ESEA Title I-A), (2) Improving Teacher Quality (ESEA Title II-A), (3) Individuals with Disabilities Education Act (IDEA) Part B Grants to States, and (4) Career and Technical Education State Grants (Carl D. Perkins Career and Technical Education Act of 2006, Title I). Additionally, the following programs received appropriations in excess of \$1 billion through forward funding only: the Student Support and Academic Enrichment (SSAE) program (ESEA Title IV-A) and the 21st Century Community Learning Centers program (ESEA Title IV-B). Impact Aid Section 7003(b) is the only ED-administered elementary and secondary education program receiving at least \$1 billion annually that is not funded through advance appropriations, forward funding, or a combination of the two.

Although the Impact Aid programs have generally been authorized to receive funding in appropriations acts on either of these bases since 1968, through Title IV, Section 420 (a), of the General Education Provisions Act (see below), no such appropriations are currently being provided with such timing:

¹² See, for example, Alyson Klein, “After Fiscal Drama, Impact Aid Districts Will See Some Early Money,” *Education Week*, October 23, 2013; Alyson Klein, “Districts Wary Amid Federal Fiscal Showdown,” *Education Week*, September 29, 2015; and Mark Lieberman, “Many Districts Will Lose Federal Funds Until the Shutdown Ends,” *Education Week*, October 15, 2025.

¹³ For a discussion about funding for some of these programs, see CRS Report R49030, *Forward-Funded Federal Education Programs: Frequently Asked Questions*.

To the end of affording the responsible Federal, State, and local officers adequate notice of available Federal financial assistance for carrying out ongoing education activities and projects, appropriations for grants, contracts, or other payments under any applicable program are authorized to be included in the appropriations Act for the fiscal year preceding the fiscal year during which such activities and projects shall be carried out.¹⁴

While funding for any or all of the Impact Aid payments could be provided through forward funding or advance appropriations (as discussed below), for the purposes of this report it is assumed that any change in appropriations would affect only Section 7003(b) payments.

Advance Appropriations and Forward Funding

Advance appropriations are enacted one or more fiscal years prior to when they become available.

Forward funds are also enacted in advance but become available during the last quarter of the budget year as opposed to a future fiscal year.

Advance Appropriations

Advance appropriations are enacted one or more fiscal years prior to when they become available.¹⁵ For example, in an appropriations act for FY2027, funds would generally become available for obligation at the start of the fiscal year—October 1, 2026. Advance appropriations included in this FY2027 act, however, would not become available until the start of FY2028—October 1, 2027—or later.¹⁶

Advance appropriations have been provided for a variety of programs besides the education programs mentioned above, particularly those that provide payments or services directly to individuals or states, such as the Veterans Health Administration (Department of Veterans Affairs) and the Tenant-Based and Project-Based Rental Assistance Programs (Department of Housing and Urban Development). The reasons such appropriations have been advocated include avoiding funding gaps or relying on CRs for funding at the beginning of the fiscal year, as well as the belief that such appropriations enable better advanced planning for those programs because they are typically enacted many months prior to the beginning of the fiscal year in which they become available. Others have argued, however, that the ability to make such commitments may be limited by the extent to which programmatic needs can be forecasted in advance, and that

¹⁴ The General Education Provisions Act (GEPA; P.L. 90-247, as amended, Title IV, §420; 20 U.S.C. §1223). In the *Fiscal Year 2007 Appendix: Budget of the U.S. Government*, the Office of Management and Budget (OMB) states that the Impact Aid account is authorized to receive advance appropriations and cites 20 U.S.C. §1223 as providing such authority. See OMB, *Fiscal Year 2007 Appendix: Budget of the U.S. Government*, pp. 1225-1226, <http://www.gpo.gov/fdsys/pkg/BUDGET-2007-APP/pdf/BUDGET-2007-APP-2-2.pdf>. More recent budget appendices have not included this statement.

¹⁵ See GAO, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, p. 8. See footnote 1 for a definition of *obligation* and other related budget process concepts.

¹⁶ Congress addressed the timing of ED's release of advance appropriations and forward funds for FY2026 in the Consolidated Appropriations Act, 2026 (P.L. 119-75), which provides appropriations for ED. The act includes a new general provision (Division B, Title III, §312) requiring the Secretary of Education to award formula grant funding for specified programs "on the date such funds become available for obligation" to ED. This provision applies to formula grant programs authorized by the Elementary and Secondary Education Act (ESEA), the McKinney-Vento Homeless Assistance Act, the Individuals with Disabilities Education Act (IDEA), the Carl D. Perkins Career and Technical Education Act, and the Adult Education and Family Literacy Act that received appropriations in the Consolidated Appropriations Act, 2026. It applies both to forward funding for these programs available on July 1, 2026, as well as advance appropriations that become available on October 1, 2026.

providing alternative periods of availability for some programs makes their budgetary levels difficult to compare to programs that receive budget year appropriations.¹⁷

Forward Funding

Forward funds are also enacted in advance but become available during the last quarter of the budget year as opposed to a future fiscal year.¹⁸ For example, in an appropriations act for FY2027, budget authority that is forward funded would not become available until the last quarter of FY2027 (i.e., July 1, 2027, or later) and would remain available through at least part of the following fiscal year.¹⁹

Forward funding is provided for many elementary and secondary education programs to allow additional time for school officials to develop budgets in advance of the beginning of the school year and to better align federal appropriations with the fiscal year used by many school districts, which runs from July 1 to June 30.²⁰ Forward funding is similar to advance appropriations in that it is enacted in advance of the school year for which it is provided. In the context of education, the distinction between the two is that forward funding becomes available during the summer months to provide for program costs that largely occur during the following fiscal year, whereas advance appropriations first become available in the fall during that following fiscal year. For example, in an FY2027 appropriations act, forward funding for the 2027-2028 school year would become available on July 1, 2027, whereas advance appropriations for that same school year would become available on October 1, 2027.

At the program level, there may be little difference between providing funds in July or October, as most expenditures for a standard school year (e.g., for salaries and expenses) occur throughout the year. Using forward funding or advance appropriations, however, may have budget enforcement implications, and the choice of one approach over the other may be determined, to some extent, by those implications.

Budget Enforcement Considerations

Congress has historically used various methods to set total discretionary funding levels for a fiscal year, as well as the discretionary funding that is to be allocated for the L-HHS-ED appropriations bill. These methods have included statutory limits on the applicable spending and procedural limits on such spending.²¹ Statutory limits on defense and nondefense discretionary spending have not been in effect since FY2025, although they were intermittently in effect for many years prior to that time pursuant to the Balanced Budget and Emergency Deficit Control

¹⁷ For more information on these issues, see CRS Report R43482, *Advance Appropriations, Forward Funding, and Advance Funding: Concepts, Practice, and Budget Process Considerations*, pp. 4-5.

¹⁸ See GAO, *A Glossary of Terms Used in the Federal Budget Process*, GAO-05-734SP, p. 56.

¹⁹ See footnote 16.

²⁰ According to the National Conference of State Legislatures (NCSL), 46 of 50 states have fiscal years that start on July 1 and end on June 30 of the next calendar year (NCSL, “Almost All States Began New Fiscal Year with Enacted Budgets,” July 7, 2025, <https://www.ncsl.org/press-room/details/almost-all-states-began-new-fiscal-year-with-enacted-budgets>). The District of Columbia follows the federal fiscal year (DC Fiscal Policy Institute, “A Resident’s Guide to the DC Budget,” February 7, 2024, <https://www.dcfpi.org/all/a-residents-guide-to-the-dc-budget/>). Puerto Rico’s fiscal year runs from July 1 to June 30 (National Association of State Budget Officers, “Puerto Rico,” <https://www.nasbo.org/mainsite/resources/proposed-enacted-budgets/puertorico-budget>).

²¹ For general information on budget enforcement during the congressional consideration of budgetary measures, including appropriations acts, see CRS Report R47413, *Points of Order in the Congressional Budget Process*.

Act of 1985 (BBEDCA; P.L. 99-177, as amended).²² When in effect, statutory spending limits are enforceable through *sequestration* (i.e., largely across-the-board reductions to eliminate excess spending), as well as points of order during floor consideration.²³ For procedural enforcement, the Congressional Budget Act of 1974²⁴ provides for allocations of budget authority under the jurisdiction of the House and Senate Appropriations Committees, referred to as a “302(a) allocation,” as well as the suballocation of that spending to each of the 12 appropriations subcommittees, referred to as a “302(b) allocation.”²⁵ Both the 302(a) and 302(b) allocations are enforceable during floor consideration through points of order that may be raised against any measure, including amendments, that would cause these limits to be exceeded.²⁶

The amount provided in an appropriations act for a given fiscal year, for budget enforcement purposes, is determined by its period of availability. That is, the amount provided is “scored” in the fiscal year in which it first becomes available for obligation.²⁷ Forward funding becomes available during the latter part of the budget year and so is scored against the budget year of the bill in which it is enacted. In contrast, advance appropriations are scored against the limits on appropriations that apply the first fiscal year that they are available for obligation (typically the following fiscal year) and not the budget year of the bill in which they are enacted.²⁸

Consequently, budget enforcement for advance appropriations would typically occur that following fiscal year in combination with the new discretionary appropriations for that year. That is, in the following fiscal year, the appropriations process begins with a “charge” against the appropriations limits for the budget year, even before the appropriations acts for that fiscal year have been drafted.

Given that budget enforcement rules generally limit discretionary spending to a single fiscal year at a time, providing appropriations in advance may allow them to be considered outside the context of the spending decisions for the upcoming year. In response to concerns about the potential to avoid the budget year limits when considering advance appropriations, various House and Senate procedural limits on the amount of advance appropriations that may be provided have been imposed through the congressional budget resolution and other associated procedural mechanisms for most fiscal years since FY2001. These limits have typically specified the

²² These limits are found in §251 of the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA). Most recently, FY2024 and FY2025 limits were imposed through amendments to the BBEDCA that were enacted as part of the Fiscal Responsibility Act of 2023 (FRA; P.L. 118-5). For more information, see CRS Insight IN12433, *The Fiscal Responsibility Act (FRA) in FY2025: Current Status*.

²³ Points of order to enforce the statutory spending limits would be raised under the Congressional Budget Act, §§312(b) and 314(f). For more information, see CRS Insight IN12168, *Discretionary Spending Caps in the Fiscal Responsibility Act of 2023*. The Fiscal Responsibility Act of 2023 (FRA; P.L. 118-5) also contains procedures by which these limits might be temporarily or permanently adjusted in the case of a CR. For a summary of these adjustments, see CRS Insight IN12183, *The FRA’s Discretionary Spending Caps Under a CR: FAQs*.

²⁴ P.L. 93-344; 88 Stat. 297; 2 U.S.C. §§601-688.

²⁵ Congressional Budget Act, §§302(a) and 302(b). Procedural budget enforcement may be established through other methods, such as through provisions in the congressional budget resolution.

²⁶ Primarily, the appropriations 302(b) and 302(a) allocations are enforced through points of order under §302(f) of the Congressional Budget Act.

²⁷ U.S. Congress House Committee on the Budget, *Compilation of Laws and Rules Relating to the Congressional Budget Process*, as amended through August 3, 2012, committee print, 112th Cong., 2nd sess., August 2012, CP-3, pp. 313-318.

²⁸ House Committee on the Budget, *Compilation of Laws and Rules Relating to the Congressional Budget Process*, CP-3, p. 314.

accounts for which advance appropriations may be provided and have capped the amounts for certain advance appropriations.²⁹

Potential Implementation and Transition Options for Advance Appropriations and Forward Funding

This section considers three different appropriations scenarios for Impact Aid Section 7003(b) payments that are an alternative to regular budget year appropriations: (1) providing forward funding for Section 7003(b) payments, (2) providing advance appropriations for Section 7003(b) payments, or (3) using both forward funding and advance appropriations to provide Section 7003(b) funding, as is done for other federal education programs such as Title I-A Grants to Local Educational Agencies authorized by the ESEA or Grants to States authorized under Part B of the IDEA. This section considers each of these scenarios in terms of how they might affect the annual appropriations process once they were fully implemented, the appropriations actions required in the transition fiscal year, and various potential budget process issues that might arise during that transition.³⁰ For discussion purposes, it is assumed under each scenario that appropriations will be enacted in an FY2027 appropriations act (as well as in an FY2028 appropriations act, in some discussion) and that the Section 7003(b) program will remain level funded at its FY2026 appropriations level of \$1.477 billion. For the sake of this illustrative example, it is also assumed that budget year appropriations in the FY2027 appropriations act would be enacted by October 1 of the fiscal year corresponding to the appropriations bill,³¹ forward funding would be available on July 1 of the year corresponding to the appropriations bill, and advance appropriations would be available on the first day of the succeeding fiscal year. As previously discussed, the ESEA would not have to be amended to permit the Section 7003(b) payments to receive forward funding or advance appropriations, as both funding mechanisms are already authorized for the Impact Aid account.

Forward Funding

As noted previously, Impact Aid is currently funded using regular budget year appropriations that first become available about one month after the start of the school year (i.e., October 1). If Section 7003(b) payments were to be forward funded, however, funds would shift from being available in October to support the current school year to being available in July to support the upcoming school year. For example, if Section 7003(b) continued to be funded through budget year appropriations for FY2027, the funds would be available as of October 1, 2026, and be used to support activities during the 2026-2027 school year. If appropriations for Section 7003(b) were forwarded funded in FY2027, funds would become available on July 1, 2027, and be used to support school activities during the 2027-2028 school year. More specifically, such funds would typically be made available for the next 15 months, through September 30, 2028. Likewise, the following fiscal year, if all Section 7003(b) appropriations were forward funded, funds to support

²⁹ For examples of how these limits on advance appropriations have been structured, see CRS Report R43482, *Advance Appropriations, Forward Funding, and Advance Funding: Concepts, Practice, and Budget Process Considerations*.

³⁰ Under any of these scenarios, a portion of the funds could continue to be provided through regular appropriations. This option is not discussed, as the focus of this analysis is on alternative funding options.

³¹ While the illustrative example presented in this report assumes that FY2027 ED appropriations are enacted by October 1, 2026, to provide budget year appropriations for the Impact Aid program, Congress did not enact ED appropriations by October 1, 2026. Rather, the Continuing Appropriations and Extensions Act, 2027 (P.L. 119-103), was enacted on September 2, 2026, to fund the federal government through December 11, 2026.

activities during the 2028-2029 school year would be provided by the FY2028 appropriations act to become available on July 1, 2028.

Transition Year

To change the Impact Aid program to be solely forward funded starting in FY2027 without reducing the funding available each fiscal year would essentially require double funding the program in the transition year through the following appropriations actions. First, the FY2027 appropriations would need to include the regular budget year appropriation that the program has historically received to fund activities in the 2026-2027 school year. These would be available for obligation as of October 1, 2026. Otherwise, under the switch to forward funding, the program would be without an appropriation until July 1, 2027, leaving little to no funding for the 2026-2027 school year. Second, funds for the 2027-2028 school year would need to be forward funded to become available in the final months of FY2027. If the intent is to completely forward fund the Section 7003(b) payment, then the full amount required to level fund the payment would need to be appropriated using a forward funding period of availability. That is, for the FY2027 appropriations process, the Section 7003(b) payment would need to be funded through both regular budget year appropriations and forward funding appropriations, a scenario that was arguably contemplated in Title IV, Section 420(b) of the General Education Provisions Act:

In order to effect a transition to the timing of appropriation action authorized by subsection (a) of this section, the application of this section may result in the enactment, in a fiscal year, of separate appropriations for an applicable program (whether in the same appropriations Act or otherwise) for two consecutive fiscal years.

The following scenario illustrates this potential transition. For FY2026, the Section 7003(b) payments were funded at \$1.477 billion. Assuming the program continues to be funded at this level, \$2.954 billion would need to be provided for the program in FY2027 under this funding scenario (\$1.477 for regular budget year appropriations and \$1.477 billion for forward funding). In subsequent fiscal years, however, assuming the program remained forward funded (and level-funded), the annual appropriation provided solely through forward funding would be \$1.477 billion. The increase in discretionary appropriations required to forward fund the Section 7003(b) payments in FY2027 would be counted against any statutory or procedural limits on discretionary spending applicable to that fiscal year. In effect, this might require that the additional appropriations to forward fund the Section 7003(b) payments during this transition period be offset by reductions to another discretionary program. Alternatively, this transition period could be addressed by enacting a provision specifying that a certain amount, such as the additional funding technically needed to effectuate a switch to the forward funding schedule for future years, is not to be counted for the purposes of budget enforcement.

Advance Appropriations

In contrast to the regular budget year appropriations that are enacted to fund education activities for a school year that is already underway, advance appropriations are enacted prior to when that school year starts. For example, budget year appropriations to fund the 2026-2027 school year would be enacted in the FY2027 appropriations act and become available as of October 1, 2026. Advance appropriations to fund the 2027-2028 school year, however, would be enacted one year in advance—in the appropriations act for the fiscal year starting October 1, 2026 (FY2027)—but not become available until October 1, 2027, one full fiscal year after the budget year. The following fiscal year, advance appropriations for the 2028-2029 school year would be enacted in the FY2028 appropriations act but not become available until October 1, 2028.

Transition Year

Changing appropriations for payments for federally connected children from regular budget year appropriations to advance appropriations without reducing the funding available each fiscal year requires a different set of appropriations actions, with a different set of costs, for a given fiscal year. First, to change the Section 7003(b) payment to receive advance appropriations during the FY2027 appropriations process, the FY2027 L-HHS-ED appropriations act would need to include the budget year appropriation that the program has historically received to cover program needs for the 2026-2027 school year. Funds for the 2026-2027 school year would be available for obligation as of October 1, 2026, once enacted. A switch to advance appropriations without also providing these budget year appropriations would leave the program without an appropriation until October 1, 2027, resulting in little to no funding for the 2026-2027 school year. Second, advance appropriations for the 2027-2028 school year would also need to be provided in the FY2027 L-HHS-ED appropriations act, to become available on October 1, 2027. If the intent is to completely fund needs for the 2027-2028 school year through advance appropriations, then the full appropriation for that program year would need to be provided in this way.

The budget process implications for a switch to advance appropriations also differ from those for forward funding. The funding for advance appropriations for FY2028 included in the FY2027 appropriations bill would not count against any limits on FY2027 discretionary spending and would not require any additional funding of Section 7003(b) payments in a single fiscal year. Such spending would count against the FY2028 limits, however, if provided on the schedule considered in this scenario. It would also require that any procedural limit on advance appropriations, which if in effect would generally be imposed via a congressional budget resolution adopted prior to that fiscal year, allows such appropriations for the Impact Aid account and be set at a level sufficient to accommodate appropriations for the Section 7003(b) payments.

A Combined Approach: Forward Funding and Advance Appropriations Approach

Appropriations for Section 7003(b) payments could also be made using a combination of forward funding and advance appropriations, as has been the practice for other federal education programs such as ESEA Title I-A and IDEA Part B. Under this approach, only the portion of funding needed during the summer months would be forward funded, while the rest would be advance appropriated to become available after the start of the following fiscal year. For example, for the 2027-2028 school year, in the FY2027 appropriations act, a portion (e.g., 25%) of the Section 7003(b) payments would be forward funded and become available on July 1, 2027, while the rest (e.g., 75%) would be advance appropriated and become available three months later, on October 1, 2027. This combination of advance appropriations and forward funding would be appropriated each fiscal year to fund payments for the upcoming school year.

Transition Year

If this change were made during the FY2027 appropriations process without reducing the funding available each fiscal year, appropriations subject to the applicable FY2027 limits would be needed to fund both the 2026-2027 school year through budget year appropriations, as well as whatever percentage of the 2027-2028 school year was determined to be necessary through forward funding. The amount provided through forward funding could be set at any appropriate percentage of the total payment (e.g., 25%, 50%, 75%), with the remainder for the 2027-2028 school year being provided through advance appropriations. For example, if 25% of the funds were provided through forward funding and 75% were provided through advance appropriations,

\$1.846 billion would need to be provided in total appropriations for FY2027—\$1.477 billion in budget year appropriations to support activities during the 2026-2027 school year and \$369 million (25% of the budget year appropriations amount) for forward funding—and an additional \$1.108 billion would need to be included as advance appropriations for FY2028 to support activities during the 2027-2028 school year.

This combination approach involves, to a lesser degree, the same budget process implications that apply to forward funding and advance appropriations. A combination approach would entail a one-time increase over the typical amount appropriated subject to the applicable limits but only for the portion of the funding for Section 7003(b) payments that was forward funded. Because that forward funded portion would be counted against any statutory or procedural limits on discretionary spending in the budget year, those additional appropriations during this transition period might need to be effectively offset by reductions elsewhere. In subsequent fiscal years, only the forward funding amount would need to be appropriated in the budget year, and the remainder could be advance appropriated. At the same time, any limits on advance appropriations established through a budget resolution would need to be altered to accommodate advance appropriations for the portion of Section 7003(b) payments funded in this way. As was previously mentioned, this transition period could also be addressed by enacting a provision specifying that a certain amount, such as the additional funding to effectuate that transition, is not to be counted for the purposes of budget enforcement.

Illustration of Alternative Funding Approach Transitions

Table 1 summarizes the key elements of current law and transitions to each of the three approaches discussed above. It is assumed that the alternative funding approaches would be applied in an annual FY2027 appropriations act. The table details how much discretionary funding would be needed in FY2027 and the level of advance appropriations for FY2028 that would need to be included in the FY2027 appropriations act, assuming the Section 7003(b) payment remains level funded at the FY2026 level. It is also assumed that regardless of the approach taken, the FY2027 appropriations act would provide level funding for Section 7003(b) payments for the 2026-2027 school year, as well as the 2027-2028 school year. For the combination approach, it assumes a distribution of 25% forward funding and 75% advance appropriations.

Table 1. Illustration of Alternative Funding Approach Transitions

Illustrations assume FY2027 and FY2028 appropriations are set at the FY2026 level

Funding Approach	FY2027 Appropriation	Advance Appropriations for FY2028 Provided in FY2027 Appropriations Act	Date on Which Funds Would First Be Available for the 2026-2027 School Year	Date on Which Funds Would First Be Available for the 2027-2028 School Year	Comments
Budget year appropriations (current approach)	\$1.477 billion	None	October 1, 2026	Not applicable	LEAs would not receive their full allocation until budget year appropriations were enacted for the fiscal year (e.g., in a regular appropriations act or full year continuing resolution [CR]). If such funds were enacted after the start of the budget year, they would be retroactively available as of the first day of the budget year (October 1).
Transition year funding and forward funding only	\$2.954 billion (\$1.477 billion in budget year appropriations and \$1.477 billion in forward funding)	None	October 1, 2026	July 1, 2027	The FY2027 appropriations act would have to provide funding for two school years, requiring a “doubling” of the discretionary appropriation for the Section 7003(b) payment in FY2027. In subsequent years, the discretionary appropriation would need only fund a single school year.
Transition year funding and advance appropriations only	\$1.477 billion	\$1.477 billion	October 1, 2026	October 1, 2027	The FY2027 appropriations act would need to include budget year appropriations to fund the 2026-2027 school year, as well as advance appropriations for FY2028 to fund the 2027-2028 school year.
Transition year funding and combination of forward funding (assuming 25%) and advance appropriations (assuming 75%)	\$1.846 billion (\$1.477 billion for budget year appropriations and \$369 million for forward funding)	\$1.108 billion	October 1, 2026	July 1, 2027 (25% of funds), followed by October 1, 2027 (75% of funds)	The FY2027 appropriations act would need to provide FY2027 funding for the 2026-2027 school year, as well as for part of the 2027-2028 school year. In addition, the FY2027 appropriations act would need to include advance appropriations for FY2028 to provide the remainder of the support for the 2027-2028 school year.

Source: Table prepared by CRS on September 9, 2026, using CRS analysis of Section 7003(b) payments and alternative funding strategies.

Notes: This table was prepared assuming budget year appropriations would be available on October 1 of the fiscal year corresponding to the appropriations bill, forward funding would become available on the following July 1, and advance appropriations would become available on October 1 of the succeeding fiscal year. It is also assumed that regardless of the approach taken, the FY2027 appropriations act would provide level funding for Section 7003(b) payments for the 2026-2027 school year, as well as the 2027-2028 school year, at the FY2026 funding level of \$1.477 billion. For the combination approach, it assumes a distribution of 25% forward funding and 75% advance appropriations. Transition year funding refers to budget year funding included in the FY2027 appropriations act to provide funding for the 2026-2027 school year, as forward funding or advance appropriations included in the FY2027 appropriations act would provide support for the 2027-2028 school year.

Appendix. Impact Aid Payment Descriptions

Title VII of the Elementary and Secondary Education Act (ESEA, P.L. 89-10, as amended) authorizes several types of Impact Aid payments. These include payments made under Section 7002, Section 7003, Section 7007, and Section 7008. Each of these types of payments is discussed briefly below. In FY2026, a total of \$1.630 billion was appropriated for Impact Aid.

Section 7002

Section 7002 compensates local educational agencies (LEAs) for the federal ownership of certain property. To qualify for compensation, the federal government must have acquired the property, in general, after 1938, and the assessed value of the land at the time it was acquired must have represented at least 10% of the assessed value of all of the LEA's real property. In FY2025, \$79.0 million was appropriated for 200 LEAs, and payments ranged from \$1,200 to \$6.3 million.³² Payments are usually used by LEAs for general operating expenses (e.g., teacher salaries, books, supplies, and utilities), but funds may also be used for other expenses such as capital expenditures.³³ For FY2026, appropriations were \$80.0 million.

Section 7003

Section 7003 compensates LEAs for enrolling “federally connected” children. These are children who reside with a parent who is a member of the uniformed services living on or off federal property; reside with a parent who is an accredited foreign military officer living on federal property; reside on Indian lands; reside in low-rent public housing; or reside with a parent who is a civilian working or living on federal land.

Two payments are made under Section 7003. Section 7003(b) authorizes “Basic Support Payments” for federally connected children.³⁴ In FY2025, \$1.474 billion was appropriated for Section 7003(b). These funds were awarded to 932 LEAs, serving about 598,000 federally connected students.³⁵ Payments ranged from \$365 to \$67.3 million. In FY2026, \$1.477 billion was appropriated for Section 7003(b) payments.

Section 7003(d) authorizes additional payments to LEAs based on the number of certain federally connected children with disabilities who are eligible to receive services under the Individuals with Disabilities Education Act (IDEA). More specifically, payments are limited to certain IDEA-eligible children—those whose parents are members of the uniformed services (residing on or off federal property) and those residing on Indian lands. In FY2025, \$48.3 million was appropriated for Section 7003(d) payments. Grants were made to 766 LEAs to serve about 49,000 eligible

³² U.S. Department of Education (ED), *Justifications of Appropriation Estimates to the Congress: FY2027*, <https://www.ed.gov/media/document/fy-2027-congressional-justification-impact-aid-113527.pdf> (hereinafter ED, *FY2027 Budget Justifications*).

³³ ED, “Impact Aid Program Overview,” January 14, 2025, <https://www.ed.gov/about/ed-offices/oese/impact-aid-program/impact-aid-program-overview>.

³⁴ Prior to the 2000 reauthorization, §8003(f) of the Elementary and Secondary Education Act (ESEA) provided additional payments for about 30 “heavily impacted LEAs [local educational agencies]”—those that enroll large numbers or high proportions of federally connected children. P.L. 106-398 repealed Subsection (f) and incorporated payments for these LEAs in the basic payments under §8003(b)(2), which is now §7003(b).

³⁵ ED, *FY2027 Budget Justifications*.

children. Grant amounts ranged from \$567 to \$1.3 million.³⁶ Appropriations for FY2026 were \$49.3 million.

Section 7007

Section 7007 provides funds for construction and facilities upgrades to certain LEAs serving high percentages of children living on Indian lands or children of uniformed services parents. These funds are used to make formula and competitive grants.³⁷ In FY2025, \$19.0 million was provided for Section 7007 formula grant payments to 166 LEAs. Grant amounts ranged from \$1,314 to \$1.8 million.³⁸ In FY2026, \$19.0 million was provided for Section 7007 and, per provisions included in the Consolidated Appropriations Act, 2026 (P.L. 119-75), grants will be awarded only by competition.

Section 7008

Section 7008 provides funds for emergency repairs and comprehensive capital improvements to schools that ED owns but LEAs operate and use to serve federally connected military dependent children. While ED previously owned dozens of such schools, ED currently retains ownership of one such school.³⁹ Statutory language requires ED to transfer ownership of these facilities to LEAs or other entities.⁴⁰ In FY2026, \$4.8 million was provided for Section 7008. Funds provided under Section 7008 remain available until expended.⁴¹

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³⁶ ED, *FY2027 Budget Justifications*.

³⁷ For the past several fiscal years, provisions included in the Labor, Health and Human Services, Education, and Related Agencies (L-HHS-ED) appropriations acts have specified that §7007 grants be made using formula grants only or competitive grants only and have specified which of the two grant types would be used for a given fiscal year. For example, for FY2024 and FY2025, only formula grants were awarded, while for FY2023, only competitive grants were awarded (ED, *FY2027 Budget Justifications*).

³⁸ ED, *FY2027 Budget Justifications*.

³⁹ Since 1983, DOD has assumed funding responsibility for many facilities owned by ED but located on domestic military bases that serve students whose parents are in the armed forces. These were formerly known as “Section 6 schools” in reference to that section of P.L. 81-874. For example, ED has transferred the title to facilities that DOD operates as Domestic Dependents Elementary and Secondary Schools (DDESSs) to DOD. The ownership of other facilities has been transferred to LEAs. Since 1999, the number of schools for which ED is responsible has decreased from 53 to 1. For more information, see ED, *FY2027 Budget Justifications* and ED, *Justifications of Appropriation Estimates to the Congress: FY2015*, <http://www2.ed.gov/about/overview/budget/budget15/justifications/d-impactaid.pdf>.

⁴⁰ ED, *FY2027 Budget Justifications*.

⁴¹ ED, *FY2027 Budget Justifications*.

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