

# The Basics of Impact Aid

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# The Basics of Impact Aid

Welcome

Hey That's Me

Today's Learning

- Brief Overview of Impact Aid
  - What IA is
  - Where IA came from
  - Who is eligible for IA
  - How does IA work
  - Why are we here

# The Basics of Impact Aid

## Hey, That's Me!

- 1st Time Attendee at This Conference
- School Board Member
- School Administrator, CFO, Asst. Supt., etc.
- School Superintendent

# The Basics of Impact Aid

## What is Impact Aid?

Federal program designed to:

Reimburse the local school district for taxes lost when land is removed from local tax rolls due to federal activity – Section 7002

And/Or

Pay the federal share of the cost to educate students enrolled in a local school district due to federal activity – Section 7003

# The Basics of Impact Aid

## What Does This Mean at the Local Level?

- Land is removed from the local tax rolls = Loss of revenue at the local level
- Additional students may be present in local schools
- Both may impact your district

# The Basics of Impact Aid

Because of the Federal presence in your district:

Your schools are asked to  
do more with less!

# The Basics of Impact Aid

## Where Did Impact Aid Come From?

- Need for the federal government to fulfill its obligation to the local school district identified in the 1800's, educate military dependent children
- Federal regulations put in place in 1821 to support cost and work for schools to educate military dependent children
- Regulations in place next 100 years

# The Basics of Impact Aid

## Johnson-O'Malley Act of 1934

- Identified that there were no local taxes to educate Indian Land children
- This act provided funding for these children
- First acknowledgement by the federal government of their obligation to the local school district/community



# The Basics of Impact Aid

## Congressional Advisory Committee of 1937

- + Review education in America
- + Appointed by President Roosevelt
- + Recommended that Congress should establish a policy with sufficient funding to ensure the dependents of activities on federal properties were afforded an education comparable to the education provided by the state
- + The 'Roots' of the Impact Aid Program

# The Basics of Impact Aid

## Lanham Act of 1940

- + passed on October 14, 1940
- + provided federal monies in-lieu-of taxes to the federally impacted local education agencies for the first time
- + Through 1946 this act provided funding in the amount of 10% to 15% of the operational cost of the agencies impacted by federal activity

# The Basics of Impact Aid

## Modern Day Impact Aid Born in 1950

Public Law 81-815 was passed on August 22, 1950

- + assist local education agencies with the cost of construction of school facilities (a need directly related to the additional students)

# The Basics of Impact Aid

Public Law 81-874 was effective as of September 30, 1950

- assist local education agencies with the cost of education associated with federal defense activities that brought additional students to the local educational agency
- the federal landowner would be able to support their share of public education

# The Basics of Impact Aid

## Current Law is Title VII of ESEA or ESSA (Every Student Succeeds Act)

- Put into law using the Impact Aid law in 1965
- Reauthorized in 2015!
- Is a technically difficult law
  - Is not forward funded, Is not permanent
  - Is not fully funded

# The Basics of Impact Aid

## Who is Eligible for Impact Aid?

Indian Trust or Treaty Lands

Military Installations

Other Federal Property Land Ownership

Federal Low Rent Housing

# The Basics of Impact Aid

## Other Federal Property examples:

- National Parks
- National Forests
- Federal Post Office Buildings
- Federal IRS Buildings
- Federal Prisons
- VA Hospitals
- NASA

# The Basics of Impact Aid

## How Does the Impact Aid Program Work?

Administered by the Impact Aid office in the  
United States Department of Education

Marilyn Hall, Director



# The Basics of Impact Aid

## 13 Sections in the Impact Aid Law

### Federal Dollars Attached to 4 Sections:

- Section 7002: Payments relating to federal ownership of real property
- Section 7003: Payments for eligible federally connected children
- Section 7007: Construction
- Section 7008: Facilities

# The Basics of Impact Aid

## Federal Properties Section 7002

Same Job - Less Money

\$75,313,000 (FY 20)

# THE ESSENCE OF THE PROGRAM

There are certain requirements a school district must meet to be eligible for 7002 payments:

- The U.S. has acquired ownership of land in the school district after 1938
- The property was not acquired by exchange for other federal property

# THE ESSENCE OF THE PROGRAM

The assessed valuation of the property is at least 10% or more of the school district's total assessed value when the property was acquired

The school district is not being substantially compensated by other revenues from federal activities from this property

# THE ESSENCE OF THE PROGRAM

- The Federal Government takes ownership of property for any number of purposes
- Prior to government takeover, this property generated tax revenues for the local school district
- This source of revenue is now lost
- Impact Aid makes up for a very small portion of this lost revenue

# The Federal Government has given funds to school districts to provide assistance in a number of areas such as:

- Drug Prevention
- Reading Programs
- Career Guidance
- Math and Science Instruction
- Etc.....

# What do these various needs have in common???

They assist school districts financially with local challenges, **but none of these challenges were caused by the Federal Government.**

# Here's where Impact Aid is Different

The financial challenges  
faced by Impact Aid school  
districts were actually  
**caused by the Federal  
Government.**



# For 7002 (Federal Properties) School Districts

- When the Federal Government took ownership, the property came off the tax rolls.
- We still have just as many students to educate, but now we must do the same job with greatly reduced tax revenues.

# And who pays for it?

The local taxpayers!

***IF THEY CHOOSE TO RAISE THEIR OWN TAXES...How likely is that?***

# The Renter's Analogy

*A way to bring the story home.....*

# The Three Unit Apartment

The Owner charges \$3,000/Mo.

- You pay \$1,000
- I pay \$1,000
- Billy pays \$1,000

# But then One Day.....

- Billy gets a job with the Federal Government.
- And for no reason other than that, he doesn't have to pay rent any longer.
- But the apartment owner still needs \$3,000 per month to operate.
- So.....You and I have to make up the difference.

# You and I are “stuck” with the Rent!

- Instead of \$1,000 per month, you and I each have to pay \$1,500.
- Well.....not really because the Federal Government helps to make up the difference of \$500 for each of us.
- For causing each of us an additional expense of \$500, the Feds will give each of us about \$43.
- That’s less than eight cents on the dollar-roughly today’s rate of reimbursement (8.6% to be exact).

# How Does the Department of Education Make Payments?

- Foundation Payment = 90% of Payment Received in FY ' 09

OR

- The Average Payment for FY '06 – FY ' 09 Combined

# New Districts

After Foundation payment is made, newly identified eligible applicants are then paid on a prorated basis with the remaining Section 7002 funds



# Remaining Funds?

- STEP 1 – Determine the per acre dollar value of the district-total taxable value divided by total acres minus 7002 acres
- STEP 2 – Multiply the per acre value by the number of 7002 acres, then multiply by the tax rate
- RESULT = Section 7002 payment owed

# In summary.....

- Section 7002 school districts had their tax revenues substantially reduced because of the Federal government taking ownership of land.
- The government doesn't pay taxes.
- Impact Aid attempts to make up for this tax loss, but does so at a rate of only about 8.6 cents on the dollar.
- And the local tax payers are left holding the bag.....**BUT ONLY IF THEY CHOOSE TO STEP UP!**

# The Basics of Impact Aid

## Section 7003 – Payments for Eligible Federally Connected Children

\$1,340,242,000 (FY 20)

- 400 Eligible Federally Connected Students

OR

- 3% ADA of Federally Connected Students

# The Basics of Impact Aid

## Section 7003, Federally Connected Children, Has Two (2) Components

- + 7003(b): Basic support payments
- + 7003(d): Payments for children with disabilities

# The Basics of Impact Aid

## Federally Connected Students Defined

- + Reside on federal property with parent employed on federal property
- + Reside on federal property with parent on active duty in the uniformed services
- + Reside on Indian Lands
- + Have a parent on active duty in the uniformed services but who do not live on federal property
- + Reside in federal low rent housing
- + Simply reside on federal property or work on federal property

# The Basics of Impact Aid

## Weighted Federal Student Units - WFSU

- + Students residing on trust or treaty land – 1.25
- + Military dependent student residing on federal property – 1.00
- + Civilian student living on federal property with parent working on federal property – 1.00
- + Military dependent student not living on federal property - .20
- + Student residing in federal low rent housing - .1
- + Civilian student whose parent works on OR lives on federal property - .05

# The Basics of Impact Aid

## Once Eligible, How is a District Paid?

- Basic Support Payment (BSP)
  - Amount of total revenue the local school district is **entitled** to
  - Local school district will NOT receive the amount of revenue **entitled** to

# The Basics of Impact Aid

## Once Eligible, How is a District Paid?

Since the program is NOT fully funded a local district will receive a PRO RATED payment

- Learning Opportunity Threshold or **LOT**
- The LOT modifier limits the amount of revenue the local district actually receives



# The Basics of Impact Aid

Local District 'Need' defined by:

- Percentage of enrollment of federally connected students
- +
- Percentage of the local district budget made up of Impact Aid maximum payment

# The Basics of Impact Aid

## CALCULATION OF LOT MODIFIER

	<u>DISTRICT "A"</u>	<u>DISTRICT "B"</u>
ADA (Av. Daily Attendance)	1000	1000
% Federally Impacted Students	477.75 = 48%	210 = 21%
% of Current District Expenditures Made Up From Basic Support Maximum Payment	44%	31%
LOT Modifier	92%	52%

# The Basics of Impact Aid

## EXAMPLE OF WFSU CALCULATION

### DISTRICT A

<u>TYPE OF STUDENT</u>	<u>STUDENTS</u>	<u>#of Fed Student</u>	<u>X WEIGHT</u>	<u>=</u>	<u>WFSU</u>
INDIAN TRUST LAND		100	1.25		125.00
MILITARY ON FED PROPERTY		100	1.00		100.00
MILITARY OFF FED PROPERTY		100	0.20		20.00
LOW RENT HOUSING		100	0.10		10.00
CIVILIAN WORKING ON FEDERAL PROPERTY		100	0.05		5.00
<b>TOTALS</b>		<b>500</b>			<b>260</b>

# The Basics of Impact Aid

## Small school LOT modifier

- For local school districts with less than 1,000 students in ADA & Per-Pupil Expenditure less than state or national average
- Minimum LOT percentage is increased to 40%

# The Basics of Impact Aid

## Local Contribution Rate (LCR)

- The estimated share of the cost of educating a student in the local school district
  - 50% state funding
  - 50% local funding
- Replaces the 'local loss', or, federal share of the tax burden
- Important as it's the baseline of the revenue stream from the Impact Aid program, i.e. the 'amount of money' they will pay per the 'weight' of each federally connected student

# The Basics of Impact Aid

## EXAMPLE OF LCR

If the state average per pupil expenditure is \$5,000 a local school district can use \$2,500 as their LCR

or

If the national average per pupil expenditure is \$12,537 the local school district can use \$6,268 as their LCR  
(FY 20)

The local school district gets to use the higher of the two averages!

# The Basics of Impact Aid

## Example of 7003 Payment Calculation

**Attendance Ratio X WFSU X LCR = BSP**

97% X 260 X \$6,036 = \$1,569,360

**BSP X LOT Modifier**

\$1,569,360 X .92 = \$1,443,811

# The Basics of Impact Aid

## Example of 7003 Payment Calculation

**Attendance Ratio X WFSU X LCR = BSP**

$$97\% \times \frac{260}{\$1,569,360} \times \$6,036 =$$

**BSP X LOT Modifier**

$$\$1,569,360 \times .52 = \$816,067$$



# The Basics of Impact Aid

Difference in the 'NEED' of each local school district:

$$\$1,560,360 \quad \times \quad .92 \quad = \quad \$1,443,811$$

$$\$1,569,360 \quad \times \quad .52 \quad = \quad \$816,067$$

# The Basics of Impact Aid

- Important facts of Impact Aid payments:
  - Paid directly to the district
  - No strings attached except for 7003(d) and 7007
  - May be used for any lawful purpose
  - Does not follow the student
  - Payment in lieu of taxes lost due to federal impaction
  - May use these funds where they benefit ALL students the most, not just federally impacted children

# The Basics of Impact Aid

## 7003(d) Children With Disabilities Payment

Appropriation = \$48,316,000

- Local school district determines the number of CWD (units)
  - ADA CWD living on Indian Lands
  - ADA of Military dependent CWD living on federal property
  - ½ ADA of Military dependent CWD living on federal property

# The Basics of Impact Aid

- Children with disabilities
  - Must have a valid IEP on survey date
  - Separate pool of revenue for students with disabilities
  - The number of students with disabilities nationwide determine the revenue for each student
    - Live on federal property = 1.0 weight
    - Live off federal property = 0.5 weight
    - Extra payment on top of regular eligibility

# The Basics of Impact Aid

- Local school district example:
- 50 ADA CWD living on Indian Lands
- 15 ADA of Military dependent CWD living on federal property
- 40 ADA of Military dependent CWD living on federal property (40 X .5 = 20\*)
- Total = 85 Units (50 + 15 + 20\*)

# The Basics of Impact Aid

**7003(d) Appropriation = \$48,316,000**

Nation Wide Total of CWD = 43,000

National per Unit Payment = \$1,116.28

District Payment for CWD = \$94,883.28

(85 CWD \* \$1,116.28)

**\*\*\* MUST BE USED SERVING CWD! \*\*\***

# The Basics of Impact Aid

## Section 7004: Policies and Procedures Relating to Children Residing on Indian Lands

- Local school districts on Indian Lands are required to have an IPP (Indian Policies and Procedures) in place
- The IPP ensures the rights of the parents and students to participate in the education process by:

# The Basics of Impact Aid

- Indian Lands children are allowed to participate in all programs on an equal basis
- Parents are allowed to present views and provide comment on the schools programs
- Parents are consulted and involved in planning the schools programs
- Plans, applications, and evaluations of school programs are disseminated to parents and tribes
- Parents have an opportunity to present their views on how the school is doing
- Assurance the school district has provided a written response to the comments, concerns, and recommendations received through consultation process.





# The Basics of Impact Aid

The IPP is required to be submitted in an approved form before the Department will process an Impact Aid payment

# The Basics of Impact Aid

The IPP is not required if the tribe sends a written statement to the local school.

This statement must state that the school district does not need to submit an IPP because the local Tribe is satisfied with the educational services provided by the school district to the Indian Lands children.

# The Basics of Impact Aid

## Section 7007 – Construction

\$17,406,000

- + 7007(a) Impact Aid Formula Grant Program
- + 7007 (b) Impact Aid Discretionary Grant Program

# The Basics of Impact Aid

## Sections 7007 – Construction

### + 7007(a) Impact Aid Formula Grant Program

- 50% or more Indian Land students
- 50% or more military dependent students
- Receive Section 8003(b)(2) funds

Payments: 1) sum total of all eligible national students  
2) paid at 50% WFSU Indian land and 50%  
WFSU military dependent students (p25)

# The Basics of Impact Aid

## Sections 7007 – Construction

- + 7007 (b) Impact Aid Discretionary Grant Program
  - District - At least 40% Indian Land or military dependent students enrolled
  - School – 40% or more Indian Land or military dependent students enrolled
  - Ability to generate local funding, i.e. bonding capacity
  - Emergency requests and Modernization
  - 7002 districts are eligible for modernization grants
  - Federal contribution capped at 50% of the project (\$4,000,000 max in 4 years, N/A to no bonding capacity)

# The Basics of Impact Aid

## 7007 Construction payments may be used for:

- Preparation of drawings and specifications for local school district facilities
- Acquiring, building, extending, remodeling, or repairing local school district facilities
- Inspecting and supervising the construction of local school district facilities
- Debt service

# The Basics of Impact Aid

No time limit on when a local school district must use Section 7007 funds:

Section 7007 payments may be saved and pooled over years for future projects

Section 7007 payments must be used on facilities

# The Basics of Impact Aid

## What Does the Local School District do to Receive Impact Aid Funding?

Qualify for the program

Officially count their student population

- + Survey each student on a single day
- + Use a source check with local housing official
- + Survey and source check

Submit application (Section 7005)



# The Basics of Impact Aid

- Application Submission
  - Must be on time
    - Usually, last working day of January or 1<sup>st</sup> working day after January 31<sup>st</sup> if the 31<sup>st</sup> is a weekend or holiday
  - Must be submitted electronically
  - Must submit a copy to your State Education Agency
  - Submit a copy to NAFIS
  - Submit a copy to your state association

# The Basics of Impact Aid

Timely submission of Impact Aid application is crucial:

- 1 to 60 days late = 10% reduction in Impact Aid payment
- 61 days late and later = total loss of Impact Aid funding

# The Basics of Impact Aid

All Impact Aid payments are electronically deposited into the local school districts bank account

Impact Aid department in the U.S. Department of Education notifies the local school district of each payment electronically

Impact Aid payment vouchers are sent electronically to the local school district

# The Basics of Impact Aid

## Why Are We Here?

The Impact Aid program is not permanent

Authorized into law by the House, Senate, and Presidential signature

Appropriated (dollars allocated to the program)  
**ANNUALLY!**

Incumbent upon us to fight for the Impact Aid program every day!

# The Basics of Impact Aid

## Summary:

Only K-12 education program not forward funded (authorized)

Impact Aid program funded annually (appropriated)

Must qualify for eligibility

7002 Federal Land

7003 Federal Students (or both)

Must apply annually

Revenue may be used for any legal expenditure by the district  
(7003(d) on CWD and 7007 on construction)

Carry the Impact Aid message to your Senator and Representative

# The Basics of Impact Aid

## Contact Information:

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