

The Basics of Impact Aid

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Agenda

- 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 IA works
- Why we are here



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Hey, That's Me!

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



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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)

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



Because of the Federal Presence...

Your schools are asked to do more
with less!

Where Did Impact Aid Come From?

- + Need for the federal government to fulfill its obligation to the local school district identified in the 1800s, regarding 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



Background

Johnson-O'Malley Act of 1934

- + Identified that there were no local taxes to educate Indian Lands children
- + Began providing funding for these children

First acknowledgement by the federal government of their obligation to the local school district/community



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Background

Congressional Advisory Committee of 1937

- + Review education in America
- + Appointed by President Roosevelt
- + Recommended Congress 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



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Background

Lanham Act of 1940

- + Passed on October 14, 1940
- + Provided federal monies in lieu of taxes to 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



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 in a school district due to federal activity)



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Modern Day 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
- + Federal landowner would be able to support their share of public education



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Modern Day 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
- + A technically difficult law
 - Not forward funded, not permanent
 - Not fully funded



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Who Is Eligible for Impact Aid?

School districts containing:

- Indian Trust, Treaty or Alaska Native Claims Settlement Act Lands
- Military Installations
- Federal Low Rent Housing
- Other Federally Owned Property



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Other Examples of Federal Property

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



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How Does the Impact Aid Program Work?

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

Faatimah Muhammad, Director



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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



Section 7002 Federal Property

Same Job - Less Money

\$78,313,000 (FY 23)



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Eligibility for the 7002 Program

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

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

Eligibility for the 7002 Program

- The assessed valuation of the property was 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, the 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

Federal Government gives funds to school districts to aid in several areas, such as:

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



What Do These 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 Property) School Districts

- When the Federal Government took ownership, the property came off the tax rolls.
- We 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?***



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The Renter's Analogy

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



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The Three Unit Apartment

The Owner charges \$3,000/Mo.

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



But 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 \$39.50.
- That’s less than eight cents on the dollar – roughly today’s rate of reimbursement (7.9% to be exact).



How Does the Department of Education Make Payments?

- Foundation Payment = 90% of Payment Received in FY09

OR

- Average Payment for FY06 – FY09 Combined

New Districts

After Foundation payments are made, newly identified eligible applicants are 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 revenue substantially reduced because the Federal government took 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 7.9 cents on the dollar.
- And the local taxpayers are left holding the bag.....**BUT ONLY IF THEY CHOOSE TO STEP UP!**



Section 7003

Payments for Eligible Federally Connected Children

\$1,468,242,000 (FY23)

400 Eligible Federally Connected Students

OR

3% of ADA is Federally Connected Students



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Section 7003

Has Two (2) Components

7003(b): Basic Support

7003(d): Payments for Children with Disabilities



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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 do not live on federal property
- Reside in federal low rent housing
- Either resides on federal property or has parent who works on federal property



Weighted Federal Student Units (WFSU)

- Students residing on Indian 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 – .10
- Civilian student whose parent works on OR lives on federal property – .05

Once Eligible, How Is a District Paid?

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

Proration

Since the program is NOT fully funded, a local school district will receive a PRORATED payment

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

Based on need



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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

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 District Expenditures Made Up From Basic Support Maximum Payment	44%	31%
LOT Modifier	92%	52%

Applying WFSUs

<u>TYPE OF STUDENT</u>	<u># of FED STUDENTS</u>	X <u>WEIGHT</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
TOTALS	500			260

Small District Adjustment

For local school districts with less than 1,000 students in ADA & Per-Pupil Expenditure less than the state or national average...

Minimum LOT percentage is increased to 40%

Local Contribution Rate (LCR)

- 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 the federal share of the tax burden
- **Important** as it's the baseline of the revenue stream for the Impact Aid program – the 'amount of money' they will pay per the 'weight' of each federally connected student



Example of LCR

½ State Average: If the state average per pupil expenditure is \$10,000, then a local school district can use \$5,000 as their LCR

or

½ National Average: If the national average per pupil expenditure is \$13,895 (as for FY23), then the district can use \$6,947.50 as the LCR

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



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Example of 7003 Payment Calculation

Attendance Ratio X WFSU X LCR = BSP

97% X 260 X \$6,947.50 = \$1,752,159.50

BSP X LOT Modifier

\$1,752,159.50 X .92 = \$1,611,986.74

Example of 7003 Payment Calculation

Attendance Ratio X WFSU X LCR = BSP

97% X 260 X \$6,947.50 = \$1,752,159.50

BSP X LOT Modifier

\$1,752,159.50 X .52 = \$911,122.94

Impact of LOT

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

$$\$1,752,159.50 \quad \times \quad .92 \quad = \quad \$1,611,986.74$$

$$\$1,752,159.50 \quad \times \quad .52 \quad = \quad \$911,122.94$$

Important Facts on Payments

- Paid directly to the district
- May be used for any lawful purpose
- No strings attached except for 7003(d) and 7007
- 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 connected children

7003(d) Children With Disabilities Payment

\$48,316,000 (FY23)

Payment based on number of CWD (units) in local school district

- ADA CWD living on Indian Lands
- ADA of Military dependent CWD living on federal property
- ½ ADA of Military dependent CWD living off federal property



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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 determines 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



CWD Units Example

If a school district has...

- 50 ADA CWD living on Indian Lands
- 15 ADA of Military dependent CWD living on federal property
- 40 ADA of Military dependent CWD living off federal property ($40 \times .5 = 20^*$)
- Total = 85 Units ($50 + 15 + 20^*$)



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CWD Payment Example

7003(d) appropriation = \$48,316,000

Nation Wide Total of CWD Units = 43,000

National per Unit Payment = \$1,123.63

District Payment for CWD = (85 CWD * \$1,123.63) = \$95,508.37

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



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Section 7004

Policies and Procedures Relating to Children Residing on Indian Lands

- Local school districts serving students who live 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

IPPs Ensure...

- Indian Lands students are allowed to participate in all programs on an equal basis
- Parents are allowed to present views and provide comment on school programs
- Parents are consulted and involved in planning school 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
- The school district provides a written response to comments, concerns and recommendations received through consultation process

Required for Payment

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



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IPP Waiver

The IPP is not required if the Tribe sends a written statement to the local school district waiving the IPP.

The waiver 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.

Section 7007 – Construction

\$18,406,000 (FY23)

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

Section 7007(a)

7007(a) Impact Aid Formula Grant Program

- + 50% or more Indian Lands students
- + 50% or more military dependent students
- + Receive Section 7003(b)(2) funds

Payments:

- 1) sum total of all eligible students
- 2) paid at 50% WFSU Indian Lands and 50% WFSU military dependent students

Section 7007(b)

7007 (b) Impact Aid Discretionary Grant Program

- District – At least 40% Indian Lands or military dependent students enrolled
- School – At least 40% Indian Lands 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 if no bonding capacity)

7007 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

7007 Payments

- No time limit on when a local school district must use Section 7007 funds
 - Payments may be saved and pooled over years for future projects
- Section 7007 payments must be used on facilities

To Receive Impact Aid Funding

The local school district must:

- Qualify for the program
- Officially count their student population
 - + Survey each student on a single day
 - + Use a source check with local housing official
 - + Do both: Survey and source check
- Submit application (Section 7005)



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Submitting the Application

- Must be on time
 - Usually, last working day of January (or first working day after January 31 if it is a weekend or holiday)
- Must be submitted electronically through the Impact Aid Grant System (IAGS)
- Copy goes to the State Education Agency
- Submit a copy to NAFIS
- Submit a copy to your state association



Late Applications

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

Receiving Payments

- All Impact Aid payments are electronically deposited into the local school district's bank account
- 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 in IAGS

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!

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 (exceptions: 7003(d) on CWD and 7007 on construction)
- Carry the Impact Aid message to your Senators and Representative!



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Questions?

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