The Basics of Impact Aid

The Original K-12 Federal Education Program
Title VII Every Student Succeeds Act

National Association
of Federally Impacted Schools

National Association of Federally Impacted Schools

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Dear Reader:

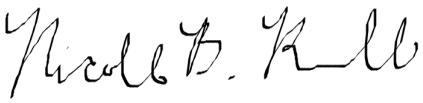
The National Association of Federally Impacted Schools (NAFIS) is pleased to share *The Basics of Impact Aid* with you.

Whether you are new to the Impact Aid program or more experienced, keep this booklet handy to help you navigate the intricacies of the program. *The Basics of Impact Aid* provides a general overview of the Impact Aid program and its funding history through FY 2022. The heart of the booklet is a section-by-section discussion of the program's key components. Charts, graphs and formula calculations are included to help you better understand how the program works.

Federally impacted school districts are demographically and geographically diverse, educating more than 10 million children across the United States. Established in 1973, the National Association of Federally Impacted Schools (NAFIS) is the leading voice advocating for Impact Aid on behalf of federally impacted school districts and the children they educate. NAFIS is the umbrella organization for four subgroups: Federal Lands Impacted Schools Association (FLISA), Military Impacted Schools Association (MISA), Mid-to-Low LOT Schools (MTLLS) and National Indian Impacted Schools Association (NIISA). Together, NAFIS and these four subgroups comprise the NAFIS Family.

On behalf of the NAFIS Family and staff, we hope you find value in and refer regularly to *The Basics of Impact Aid*. Do not hesitate to contact the NAFIS office at 202-624-5455 or info@nafisdc.org if you have any questions.

Sincerely,



Nicole Russell
Executive Director

THE NAFIS FAMILY

FLISA
Federal Lands Impacted Schools Association

MISA
Military Impacted Schools Association

MTLLS
Mid-to-Low-LOT Schools

NIISA
National Indian Impacted Schools Association

TABLE OF CONTENTS

INTRODUCTION **7**

IMPACT AID FUNDING **9**

SCHOOL FINANCE **11**

IMPACT AID SECTION-BY-SECTION **12**

SECTION 7002 - Federal Property **12**

SECTION 7003 - Basic Support for Federally Connected Children **14**

SECTION 7004 - Indian Policies and Procedures **23**

SECTION 7005 - Application **24**

SECTION 7006 (Repealed) **24**

SECTION 7007 - Construction **24**

SECTION 7008 - Facilities **26**

SECTION 7009 - Equalization **27**

SECTION 7010 - Program Administration **27**

SECTION 7011 - Administrative Hearings/Judicial Review **27**

SECTION 7012 - Forgiveness of Overpayments **28**

SECTION 7013 - Definitions **28**

SECTION 7014 - Authorization of Appropriations **28**

IMPACT AID QUIZ **29**

APPENDIX **33**

History of Impact Aid Funding **34**

NAFIS Staff Contact List **35**

Department of Education Impact Aid Program Staff Listing **36**

Impact Aid Glossary of Terms **37**

INTRODUCTION

The Impact Aid Program, signed into law by President Harry Truman in 1950, is the nation's oldest K-12 Federal education program. Nationwide, approximately 1,100 school districts enrolling more than 10 million students benefit from Impact Aid funding.

Today's Impact Aid program had its beginnings in the early 1800s. Regulations passed in 1821 supported the cost for schools to educate military-dependent children. Then, the Johnson-O'Malley Act of 1934 identified that there were no local taxes to educate Native American children and provided funding for them. This Act was the first acknowledgement by the Federal Government of its obligation to the local school district for educating children residing on Indian Lands. Additional pieces of legislation passed in the late 1930s and early 1940s were the precursor to the modern day Impact Aid program.

Impact Aid, originally PL 81-874, was incorporated into the Elementary and Secondary Education Act in 1994. It's now Title VII of the Every Student Succeeds Act (ESSA). Funding for the program is approved annually by Congress through the Labor, Health and Human Services, Education Appropriations Subcommittee bill, and the program is administered by the U.S. Department of Education. The program reimburses school districts for the loss of local tax revenue due to the presence of the Federal Government. Federal activities reduce local taxes because Federal property is removed from the tax roll and/or the school district is educating students with no or reduced tax revenue associated with them. Lost tax revenue includes residential taxes, property taxes from business or industry, sales taxes, income taxes and local licenses and fees.

EXAMPLES OF FEDERAL IMPACTION

- Military installations
- Indian Trust, Treaty and Alaska Native Claims Settlement Act (ANCSA) Lands
- Federal low-rent housing facilities
- Federal properties, such as national parks and federally owned dams, and Federal facilities, such as national laboratories and VA hospitals

Impact Aid funding is direct, locally controlled and flexible. All Impact Aid funds appropriated by Congress are disbursed directly to school districts, bypassing state involvement. They can be used for any general fund purpose, such as instructional materials, salaries, transportation, technology or capital needs. All decisions on how Impact Aid funds are spent are made locally. This flexibility allows school district leaders to target funds supporting all students to wherever the needs are greatest.

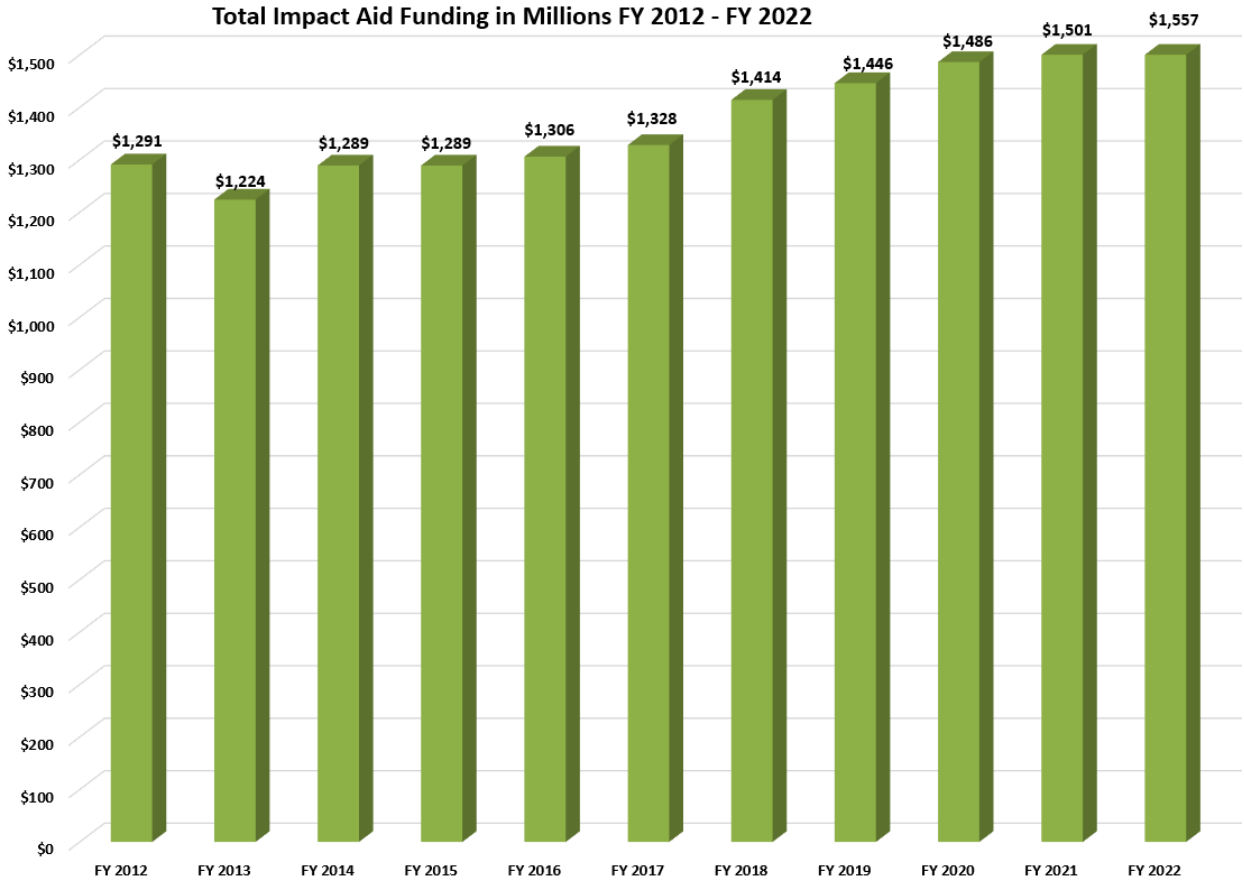
Each school district must submit an Impact Aid application annually to the U.S. Department of Education. The application deadline is usually January 31. The Department reviews the applications and processes payments based on congressional appropriations each fiscal year (October 1 - September 30). It allocates funding in multiple installments until all available funds are distributed. School district applications are audited by the Department on a regular basis.

IMPACT AID FUNDING

Impact Aid funding is appropriated annually by Congress. The House and Senate Labor, Health and Human Services, Education Appropriations Subcommittees have jurisdiction over it. The program has not been fully funded since 1969. Below is a recent funding history:

Section-by-Section Funding (in Millions)

	FY 2019	FY 2020	FY 2021	FY 2022
Federal Property	$74.31	$75.31	$76.31	$77.31
Basic Support	$1,301.24	$1,340.24	$1,354.24	$1,409.24
Disability Payments	$48.32	$48.32	$48.32	$48.32
Construction	$17.41	$17.41	$17.41	$17.41
Facilities	$4.84	$4.84	$4.84	$4.84
Total	**$1,446.12**	**$1,486.12**	**$1,501.12**	**$1,557.12**



The Impact Aid Program is the only K-12 Federal education program that is not forward funded. For example, FY 2022 funds for programs like Title I and IDEA are for the 2022-2023 school year, but for Impact Aid they are for the 2021-2022 school year. This means a delay in appropriations - caused by a Continuing Resolution (CR) or a government shutdown - has an immediate impact on Impact Aid-recipient school districts. Without a payment early in the school year, some districts may have difficulty funding day-to-day operations, instructional expenditures, utility payments or payroll. Occasionally, due to cash flow deficits, school districts must defer payroll, dip into their fund balances or borrow money while they await their Impact Aid payment.

The $67.5 million sequester of Impact Aid in FY 2013 had a devastating impact on federally impacted schools. As one of the first programs to be cut, district leaders were forced to make tough choices including reductions in staff, increased class sizes, cuts to afterschool and arts programs, reduced professional development, fewer bus routes and delays in technology upgrades and facilities maintenance. A near-full restoration of Impact Aid in FY 2014 was welcome relief. Due to NAFIS advocacy and congressional support, Impact Aid funding was increased in FY 2016, FY 2017, FY 2018, FY 2019, FY 2020, FY 2021, and FY 2022.

> ***“Impact Aid is our life blood, the primary support for our excellent program providing students the education they deserve.***
>
> ***Without it we would have to reduce staff and services by 40 percent.”***

SCHOOL FINANCE

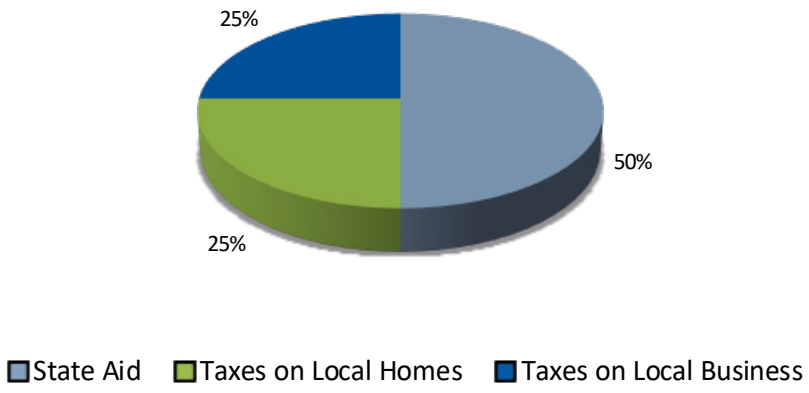
Financing Non-Federally Impacted School Districts

U.S. public schools are financed through a combination of state and local revenue. Usually 50 percent of a school district's funding is derived from state aid, and 50 percent is derived from local funding. Local funding sources are comprised of a combination of business and residential property taxes and fees, as well as local sales tax.

Financing Federally Impacted School Districts

Federally impacted school districts receive state funding, the same as non-federally impacted school districts. It is the local share of funding that is reduced or eliminated because of a Federal presence that is not taxable. School districts with military installations, Federal low-rent housing, Indian Lands or other Federal lands within their boundaries lose local revenue because of non-taxable Federal activities. Impact Aid funding partially reimburses school districts for this loss of locally-derived revenue.

Revenue Sources (on average) for Non-Federally Impacted School Districts



Impact Aid is "Uncle Sam" paying his taxes.

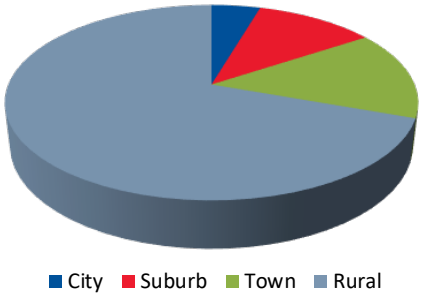
IMPACT AID
SECTION-BY-SECTION

SECTION 7002 - FEDERAL PROPERTY

Section 7002 reimburses school districts that have lost significant local revenue due to Federal ownership of land within school district boundaries. School districts are dependent on local property taxes as a major revenue source to fund educational programs for the children they serve. Because federally owned property does not generate taxes, the revenue for the school district is dramatically reduced. These school districts are required to educate the same number of students as before the Federal property was acquired. Impact Aid Federal Property payments offset some of the tax loss school districts experience on an annual basis.

Approximately 200 school districts are eligible under Section 7002 each year. Recipients have a higher percentage of school districts located in "rural" areas than the nation as a whole, at 69% in FY 2018 (nationally, 57% of school districts are considered rural). Fewer recipient school districts are classified as "Town" and "Suburb" than the national average, at 15% and 11%, respectively. The percent of 7002 school districts in the "City" classification is exactly the same as for the nation as a whole at 5%.

7002 DISTRICTS BY GEOGRAPHIC LOCATION



Examples of Eligible Federal Property

- National parks and grasslands
- National laboratories
- Army Corps of Engineers projects
- Military testing grounds
- Military academies
- Federal dams and reservoirs

Eligibility

A school district must meet two criteria to be eligible for Section 7002:

1. The property was acquired by the Federal Government after 1938, AND
2. The assessed value of the property when it was acquired by the Federal Government was at least 10 percent of the school district's total assessed value. For example, if in 1939 the Federal Government acquires seven percent of the assessed value of property in a district and then acquires an additional four percent in 1943, the school district becomes eligible for an Impact Aid payment in 1943.

In addition, the property cannot have been acquired by exchange for other Federal property. To be eligible, the school district must not be substantially compensated by increases in revenues from Federal activities from the property.

Determination of Section 7002 Payments

School districts must submit an application for payment to the U.S. Department of Education each year. Congress changed the formula for valuing eligible Federal property beginning in FY 2013 to make it less subjective and easier to administer. As a result, each school district receives a Foundation Payment based on a percentage of funds it received under the previous system. Remaining funding is distributed based on the value of taxable property within school district boundaries and the local tax rate. The law includes a formula to calculate a school district's maximum payment - the payment it would receive if Section 7002 were fully funded by Congress. It includes three steps:

Step 1:

$$\frac{\text{Total assessed value of taxable property}}{\text{Number of acres less the Federal acres}} = \text{Average dollar-per-acre of taxable property}$$

Step 2:

Average dollar-per-acre of taxable property **X** Number of eligible Federal acres = Value of Federal property

Step 3:

Value of Federal property **X** Local tax rate **=** Full funding payment

Section 7002 is underfunded. The level of congressional appropriations meets only eight percent of the program's need based on what it would require to fund each school district's Full Funding Payment. As a result, the funding available after the Foundation Payment is made is equally prorated based on each school district's Full Funding Payment as a percentage of the total program cost.

A Common Misconception . . .

Because they are completely funded by the Federal government, the Department of Defense and Bureau of Indian Education Schools are not considered public schools.

SECTION 7003 - BASIC SUPPORT FOR FEDERALLY CONNECTED CHILDREN

Basic Support payments for federally connected children compensate school districts for educating students whose parents or legal guardians reside and/or work on Federal property, including children of members of the uniformed services and children who reside on Indian Lands. Section 7003 is the largest component of the Impact Aid Program in regard to both funding and number of school districts served.

A school district can choose one or both of the following two options to count its federally connected children:

1. *Parent-Pupil Survey: A U.S. Department of Education-approved form for counting the school district's federally connected children. The school district provides a form to parents for each enrolled child. The parent-pupil survey form is a means of authenticating the child's place of residence and/or the parent's place of employment.*
2. *Source Check: A U.S. Department of Education-approved means of counting the membership of a school district's federally connected children. It is provided to: 1) an employer, who identifies the place of employment of a parent of a pupil claimed; 2) a housing official, who indicates the residence of each pupil claimed; and/or 3) a tribal official, who states each pupil claimed resides on Indian Lands over which that tribal official has jurisdiction.*

The U.S. Department of Education is currently piloting a program that allows school districts to collect this information electronically.

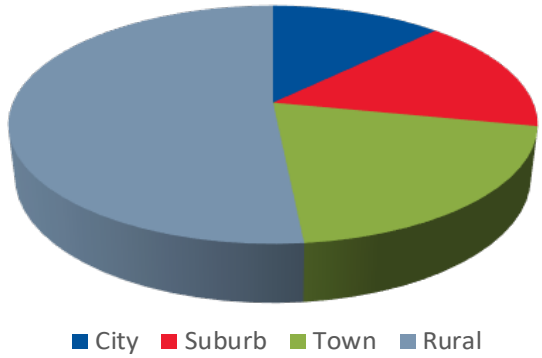
Did you know . . .

Some school districts meet the eligibility requirements for both Sections 7002 and 7003. In the cases where school districts are receiving a payment under both Sections, the combined payment cannot be greater than the higher of the two full funding payments.

Eligibility

Over 1,000 school districts are eligible under Section 7003 each year. According to data from FY 2018, over half of Section 7003 recipients (52%) are classified in "rural" areas, compared to 57% for the nation as a whole. In addition, 20% are classified as "town", and 16% are "suburban." Approximately 12% of all 7003 districts are in cities, compared to 5% of districts nationally.

7003 DISTRICTS BY GEOGRAPHIC LOCATION



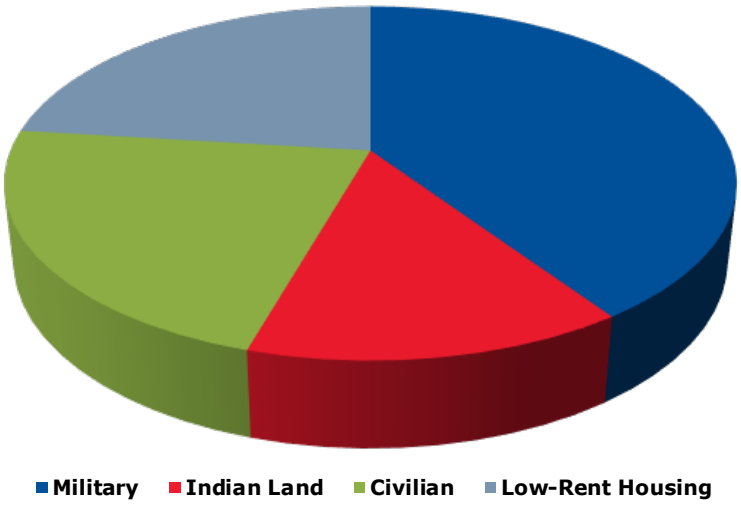
To be eligible for a Basic Support payment, a school district must educate at least 400 federally connected students in average daily attendance (ADA), or these students must represent at least three percent of the school district's ADA.

Federally Connected Students

Those children whose parent(s) or legal guardian(s) reside and/or work on Federal property are considered federally connected. The formula to calculate a school district's payment recognizes there is varying tax loss associated with where federally connected students live and assigns different weights for different categories of students:

- **Indian Land** - Children whose parent(s) live on Indian Trust, Treaty or ANSCA land (1.25 weight).
- **Military on-base** - Children whose parent(s) are members of the uniformed services and reside on a military installation, including children of foreign military officers (1.0 weight).
- **Military off-base** - Children whose parent(s) are members of the uniformed services but who reside off the military installation, including children of foreign military officers (.20 weight).

Section 7003 FY 2022 Funding: $1,557,112,000
847,630 Federally Connected Children
1,100+ Districts Enrolling Over 10 Million Students



- **Low-rent housing** - Children whose parents reside in Federal low-rent housing (not Section 8 housing) (.10 weight).
- **Civilian** - Children whose parent(s) both live AND work on Federal property (1.0 weight).
- **Civilian whose parent works OR lives on Federal property*** - Children whose parent(s) resides on Federal property, but works on taxable land OR children whose parent(s) resides on taxable land, but works on Federal property (.05 weight).

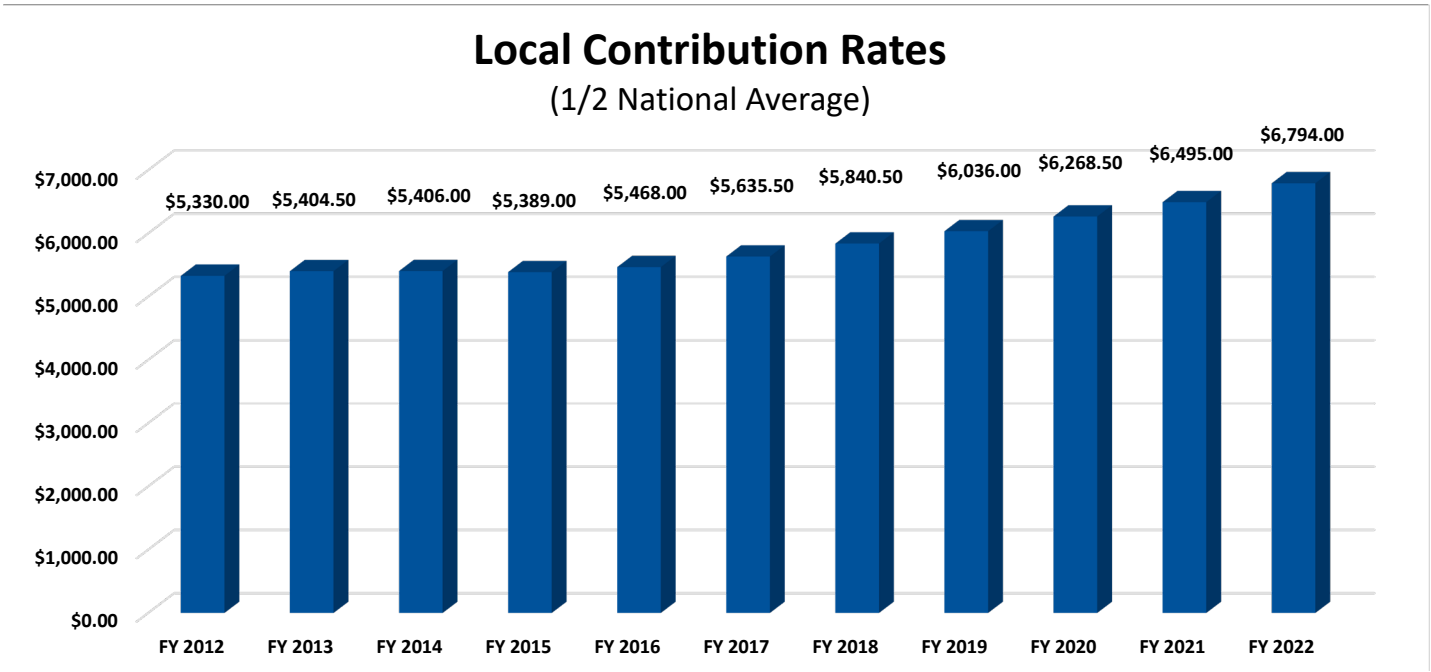
***These students can only be calculated into a school district's payment if there are 1,000 in ADA or they represent at least 10 percent of the school district's ADA.**

Local Contribution Rate

There are three factors that determine a school district's payment:

1. Local Contribution Rate (LCR)
2. Number of Weighted Federal Student Units (WFSUs)
3. Congressional Appropriations

The Basic Support formula is derived from the premise that 50 percent of the cost of educating a child comes from state funding and 50 percent comes from local revenue. The term used to compute the local loss as measured by per-pupil expenditure is called the Local Contribution Rate (LCR).

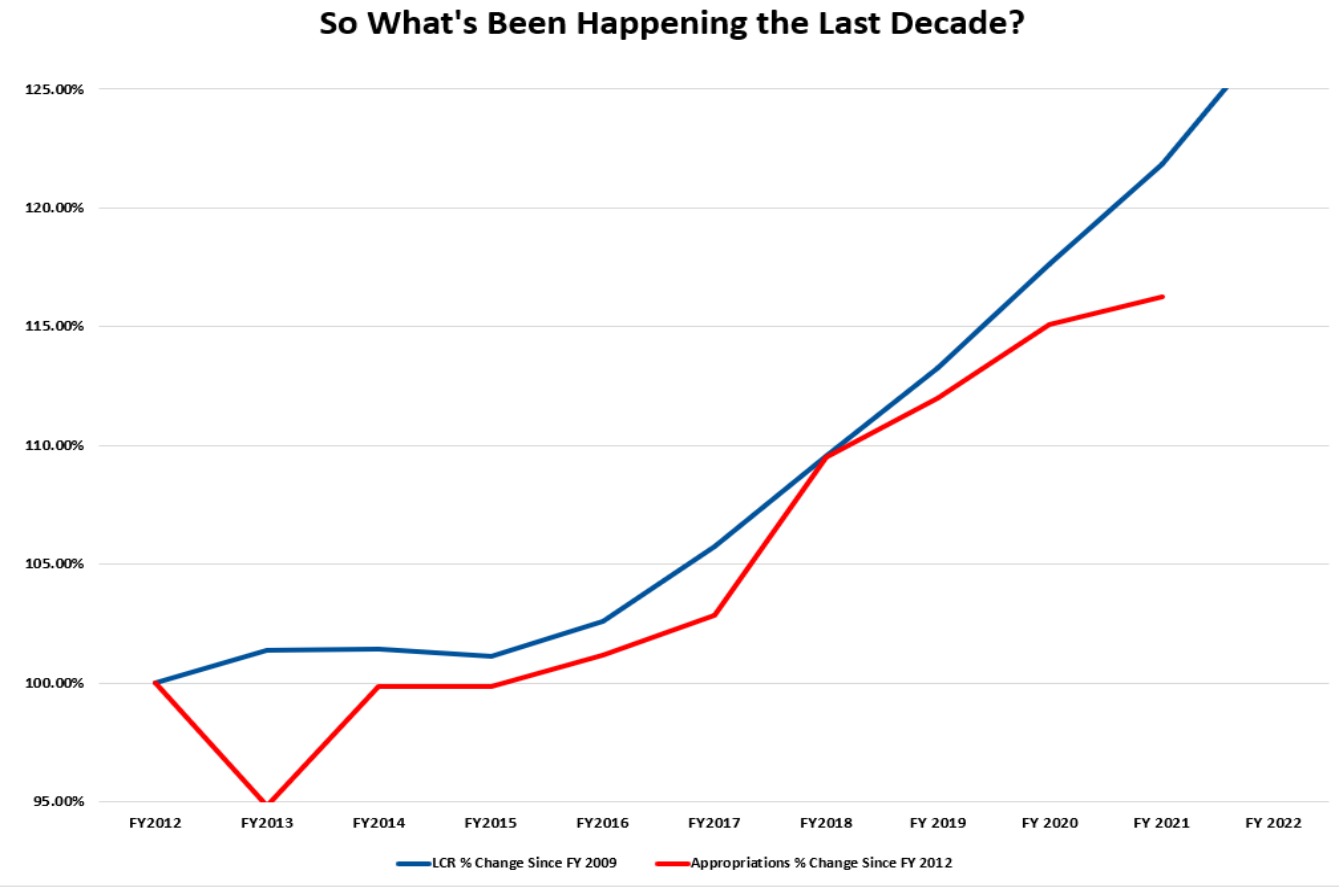


There are four ways a school district can calculate the LCR. A school district receives the LCR which yields the highest amount.

1. 50 percent of the state average per-pupil expenditure, or
2. 50 percent of the national average per-pupil expenditure, or
3. The state average percentage of local revenue multiplied by the state average per-pupil expenditure, or
4. The use of comparable school district per-pupil expenditures

The data used to compute the LCR is based on National Center for Education Statistics (NCES) data three years prior to the fiscal year for which the payments are calculated. For example, FY 2021 (school year 2020-2021) payments are based on data compiled for FY 2018 (school year 2017-2018).

Since per-pupil expenditures change each year, the LCR changes each year as well, reflecting real changes in the costs of education. If the appropriations for Basic Support payments do not keep pace with the change in the LCR, payments to districts will fall behind, widening the margin of unmet need. The graph below illustrates the impact of stagnant appropriations.



"Even with Impact Aid and higher tax rates, we receive fewer dollars per student than any district in our region. We stretch each dollar for our students.

For us, Impact Aid is a basic necessity helping cover essential underfunded services like special education, transportation, facilities and operating costs."

Determining a School District's Section 7003 Full Funding Payment

There are two steps to determine the payment a school district would receive if the program were fully funded by Congress (also known as its Maximum Payment):

Step 1 - Multiply the number of Federal students in Average Daily Attendance (ADA) by their respective weights to determine the total Weighted Federal Student Units (WFSUs).

Step 2 - Multiply the school district's total WFSUs by the LCR.

Example

TYPE OF STUDENT	# FED. STUDENTS IN ADA	X WEIGHT	= TOTAL WEIGHTED FED. STUDENT UNITS
Indian Land	100	1.25	125
Military on-base	100	1.00	100
Military off-base	100	0.20	20
Low-Rent Housing	100	0.10	10
Civilian whose parent works OR lives on Federal Property	100	0.05	5
District Total	**500**	**-**	**260**

TOTAL WEIGHTED FED. STUDENT UNITS	X LCR	= FULL FUNDING PAYMENT
260	**$6,495.00**	**$1,688,700**

Did you know . . .

Students living on private property due to military on-base or Indian Land housing renovation can be included in a school district's count if those students are temporarily displaced due to a federally initiated, certified housing renovation.

Determining a School District's Actual Payment

- The Impact Aid funding calculations are complicated ONLY because the program is **not fully funded (it hasn't been since 1969)**. Currently, the Basic Support program is funded at about 60 percent of need, leaving about 40 percent unmet need. As a result, Congress developed a formula to fairly distribute available funds.
- Payments are distributed on a "needs-based" formula, not simply prorated. School districts more dependent on funds receive a higher proportion of their Full Funding Payment than those not as financially dependent on Impact Aid.
- The **"Learning Opportunity Threshold" (LOT)** is the percentage that indicates how dependent a school district is on Impact Aid funds - the higher the LOT percentage, the closer the LOT payment is to the Full Funding Payment.
- To determine a school district's LOT percentage, add:

The percentage of Federal students in ADA	**+**	The percentage the Full Funding Payment is of the district's Total Current Expenditures (TCE)

- Each school district has its own LOT percentage, ranging from one percent to 100 percent. As long as the appropriations are sufficient to fund LOT at 100 percent, a 100 percent LOT district will receive its Full Funding Payment.

Over the past decade, appropriations have not kept pace with increasing education costs, as measured by the LCR, resulting in districts receiving an increasingly lower percentage of their Full Funding Payment, as measured by the LOT payment level. In FY 2020, the LOT payout exceeded 100 percent for the first time since FY 2010. When the payout is below 100 percent, even the highest-needs districts – those with 100 percent LOT – do not receive their Full Funding Payment. A LOT payout over 100 percent remains far from fully funding the program.

	DEPT. OF ED PAYMENT LEVEL
FY 2008	136.930% of LOT
FY 2009	129.870% of LOT
FY 2010	115.524% of LOT
FY 2011	97.066% of LOT
FY 2012	96.109% of LOT
FY 2013	87.0611% of LOT
FY 2014	91% of LOT
FY 2015	93.074% of LOT
FY 2016	93.6895% of LOT
FY 2017	92.332% of LOT
FY 2018	96.1865% of LOT
FY 2019	98% of LOT
FY 2020	101.15% of LOT
FY 2021	Estimated 98% of LOT

Example

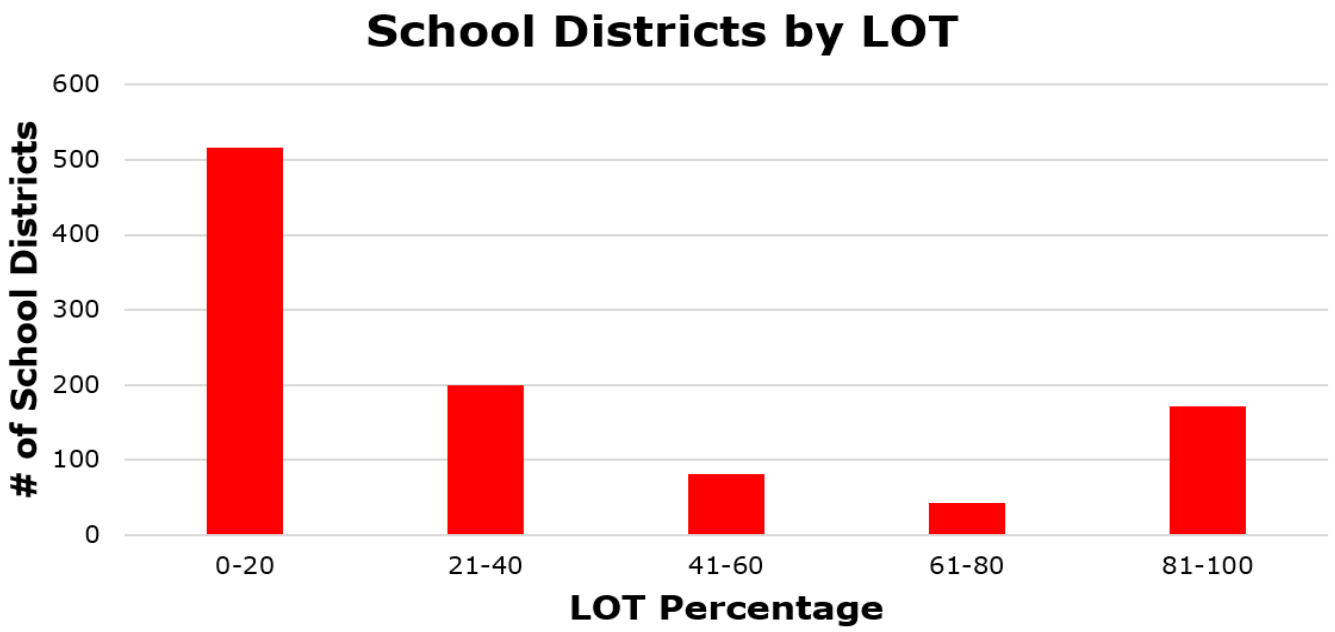
LOT CALCULATION	SCHOOL DISTRICT "1"	SCHOOL DISTRICT "2"
Total ADA	1,200	1,200
Total Federal Student ADA	650	50
Total Current Expenditure	$6,000,000	$9,000,000
Full Funding Payment	$4,376,125	$336,625
Percent Federal Students ADA	54 percent	4.2 percent
Percent Full Funding Payment of TCE	73 percent	3.8 percent
LOT Percentage*	100 percent	8 percent

(*LOT Percentage is never higher than 100 percent.)

LOT PAYMENT	SCHOOL DISTRICT "1"	SCHOOL DISTRICT "2"
(LOT Percentage X Full Funding Payment)	$4,376,125	$26,930

Summary:

- District "1" has a LOT of 100 percent since 54 percent of its students are Federal and the Full Funding Payment represents 73 percent of the district's TCE (LOT cannot exceed 100 percent). This is an example of a school district that receives its Full Funding Payment as long as the funding level is sufficient to pay districts 100 percent of their LOT payment.
- District "2" has a LOT of eight percent because Federal students make up only 4.2 percent of its ADA and the Full Funding Payment makes up only 3.8 percent of its TCE.



***Data from FY 2020 data**
***172 school districts have a LOT percentage of 100 percent, the highest "need factor."**

Small District Adjustment

School districts with fewer than 1,000 students in ADA and an average per-pupil expenditure less than the state or national average per-pupil expenditure qualify for an automatic 40 percent LOT. The Small District Adjustment was added to the law in 2000 and applies to nearly 220 school districts nationwide, more than half of which are in Oklahoma.

Hold Harmless

A three-year Hold Harmless provision was included in ESSA to help school districts adjust when they face a significant drop in payment, which could result, for example, from student fluctuations or eligibility changes. If a school district's calculated payment is at least 20 percent less than the previous year's payment, the school district will receive a payment that is 90 percent of the previous year's payment. In the second year of Hold Harmless, the school district's payment will be 85 percent of the year-one payment. In the third year, the school district's payment will be 80 percent of the year-two payment.

> ***"In our remote rural area, Impact Aid is essential to support our entire transportation department.***
>
> ***Without Impact Aid we would not be able to run our buses, and without the bus runs we would have to close down the school."***

SECTION 7003(B)(2) - HEAVILY IMPACTED DISTRICTS

Districts qualify for additional funding if they meet three criteria related to local tax effort, per-pupil expenditures and percentage of federally connected students. Approximately 30 school districts meet this criteria each year.

SECTION 7003(D) - CHILDREN WITH DISABILITIES

Payments are made to school districts for the additional costs associated with educating military and Indian Land students with disabilities, identified as those with an active Individualized Education Program (IEP). Funding must be spent on activities in line with the Individuals with Disabilities Education Act (IDEA).

There are several steps to computing a school district's 7003(d) payment:

Step 1
- Determine the number of Federal Disability Units:
  - ADA of children with disabilities who reside on Indian Land;
  - ADA of military children with disabilities who reside on Federal land;
  - 1/2 the ADA of military children with disabilities who do not reside on Federal land

Step 2
- Add up all the Federal Disability Units from all school districts nationwide

Step 3
- Divide the appropriation for 7003(d) by the nationwide total to determine per-unit payment

Step 4
- Multiply the district's number of Federal Disability Units by the per-unit payment

Example

School district has:

- 50 Indian Land students with disabilities
- 15 military students with disabilities living on Federal land
- 40* military students with disabilities not living on Federal land

The district has 85 Federal Disability Units: 50+15+20 (40/2).

If the total 7003(d) appropriation is $48,000,000 and the nationwide total of disability units is 43,000, then the per unit payment is $1,116.28 ($48,000,000/43,000)

The school district's total Children with Disabilities payment is:
85 x 1,116.28 = $94,883.72

SECTION 7004 - POLICIES AND PROCEDURES RELATING TO CHILDREN RESIDING ON INDIAN LAND

School districts that educate children residing on Indian Land must establish Indian Policies and Procedures (IPPs) to ensure the school district meets certain education and consultation requirements. The U.S. Department of Education reviews and approves IPPs. Tribes have the right to waive the requirement that a school district develop IPPs.

- A school district's IPPs must explain the procedures it will use to meet the following six requirements:

    1. Disseminate relevant applications, evaluations, program plans and information related to the district's education program and activities with sufficient advance notice to allow Tribes and parents of Indian children the opportunity to review and make recommendations.
    2. Provide an opportunity for Tribes and parents of Indian children to provide their views on the district's education program and activities, including recommendations on the needs of their children and how the district may help those children realize the benefits of the program and activities. As part of this requirement, the district will:
        (i) Notify Tribes and parents of Indian children of the opportunity to submit comments and recommendations, considering the Tribe's preference for method of communication; and
        (ii) Modify the method of and time for soliciting Indian views, if necessary, to ensure the maximum participation of Tribes and parents of Indian children.
    3. Assess at least annually the extent to which Indian children participate on an equal basis with non-Indian children in the district's education program and activities. As part of this requirement, the district will:
        (i) Share relevant information related to Indian children's participation in the district's education program and activities with Tribes and parents of Indian children; and
        (ii) Allow Tribes and parents of Indian children the opportunity and time to review and comment on whether Indian children participate on an equal basis with non-Indian children.
    4. Modify the IPPs, if necessary, based upon the results of any assessment or input described in Federal regulations.
    5. Respond at least annually in writing to comments and recommendations made by Tribes or parents of Indian children, and disseminate the responses to the Tribe and parents of Indian children prior to the submission of the IPPs by the district.
    6. Provide a copy of the IPPs annually to the affected Tribe or Tribes.

Please note: The IPPs that school districts must establish are distinct from the Title VI Parent Advisory Committee and ESSA State Tribal Consultation requirements.

SECTION 7005 - APPLICATION

Section 7005 refers to the Impact Aid application procedure. A school district that wants to receive Impact Aid under either Section 7002 or 7003 must submit an annual application to the U.S. Department of Education and provide a copy to the state educational agency. The application must contain information to determine eligibility and, where applicable, that the school district is in compliance with Section 7004. The Secretary of Education establishes the application deadline, typically January 31, under this section.

SECTION 7006

Payments for Sudden and Substantial Increases in Attendance of Military Dependents (REPEALED).

SECTION 7007 - CONSTRUCTION

Payments for school districts to meet capital or construction needs.

There are two different allocations of the Section 7007 appropriation: 60 percent is dedicated to competitive grants and typically assists school districts with emergency facility needs; 40 percent is allocated by formula to eligible school districts.

> ***"Impact Aid plays a vital role in our ability to offer a free and appropriate public education.***
>
> ***If Impact Aid is not funded at the appropriate level, we will face drastic budget cuts in the areas of administration, teachers, non-certified staff and vital academic programs. These cuts would dramatically decrease the quality of education we offer our students."***

SECTION 7007(A) - CONSTRUCTION FORMULA GRANTS

Eligibility

School districts are eligible if they receive funds under 7003 and the school district meets at least one of the following conditions:

- 50 percent or more Indian Land students
- 50 percent or more military students
- Receives funds from 7003(b)(2) (heavily impacted)

Calculating Payment

- Determine the total number of Indian Land and military weighted students in all eligible LEAs.
- Divide 50 percent of the total appropriation for 7007 Formula Construction by the total number of Indian Land WFSUs and 50 percent by the number of military WFSUs in all 7007 eligible LEAs to determine the per-weight unit payment for each type of student.
- Multiply the district's WFSU for each type of student times the per-unit payment for each type of student.

  These funds may be used for:

  - Preparation of drawings/specs for facilities
  - Acquiring, building, remodeling, repairing or extending school facilities
  - Inspecting or supervising construction facilities
  - Debt service

There is no time limitation during which these funds must be expended - they may be saved for a future project.

Example:

The example is based on the following assumptions: 1) Nationwide total of Section 7007 eligible schools is 95,900 Indian Land and 46,700 military WFSUs, 2) Total 7007(a) appropriation is $17,406,000, and 3) School district has 250 students living on Indian Land, 80 military students living on-base and 300 military students living off-base.

Step 1
- This district has **312.5** Indian Land WFSUs (250 x 1.25) and **140** Military WFSUs (80 x 1.0 + 300 x 0.20)

Step 2
- With a $17,406,000 appropriation, the per-WFSU payment for Indian Lands is $90.75 ($8,703,000/95,900) and the per-WFSU payment for military is $186.36 ($8,703,000/46,700).

Step 3
- The district's 7007(a) payment is:
  $28,359.38 (312.5 Indian WFSU x $90.75)
  \+ **$26,090.40** (140 Military WFSU x $186.36)
  $54,449.78

SECTION 7007(B) - DISCRETIONARY COMPETITIVE GRANTS

- **Eligibility** – Any district at least 40 percent impacted with Indian Land or military dependent students may apply on behalf of the local educational agency. In addition, an individual school site (facility) may also apply if the enrollment of either Indian Land or military dependent students equals or exceeds 40 percent of the school's total enrollment.
- **Additional Eligibility Requirements** – The local educational agency or the school will be prioritized based on its ability to generate local funding (bonding/state funding) and if it has a school facility emergency as determined by the Secretary of Education.
- **Funding Priority** – Those grants submitted as "Emergency Requests" will be given first priority. "Modernization Grants" are also awarded should funds still be available after all emergency awards have been made.
- **Matching Requirements** – The Federal contribution for both emergency and modernization grants cannot exceed 50 percent of the cost of the project, nor can it be more than $4,000,000 during any four-year period. (**Note:** *This requirement does not apply to a district that does not have the authority to tax or issue bonds.)*

SECTION 7008 - FACILITIES

Payments for upkeep and repair of school buildings that are used by school districts but owned by the U.S. Department of Education.

- Fewer than 10 buildings are currently owned by the U.S. Department of Education but operated by public school districts, down from 50. Once buildings are modernized and up to code, ownership of the facilities is transferred to the local school district.

Did you know . . .

Because of limited funding, Section 7007 appropriations alternate each year between construction formula grants and construction competitive grants.

SECTION 7009 - EQUALIZATION

States are prohibited from reducing state aid to a federally impacted school district because of its receipt of Federal Impact Aid funding. Impact Aid is considered "outside" of a state's school finance formula, and a state may not take it into account. However, there is an exemption from this provision called "equalization." If a state has a school finance formula designed to equalize expenditures for all school districts in that state, and if the state meets several other criteria, the state can reduce the amount of state funding allocated to a particular school district based on its Impact Aid payment. Until recently, Alaska, Kansas and New Mexico were equalized. However, the U.S. Department of Education recently ruled that Alaska and New Mexico do not meet equalization requirements. Currently, only Kansas is equalized.

- Only if certified as "equalized" by the U.S. Department of Education can a state reduce the amount of state aid to a school district because the district receives Impact Aid.
- To be considered "equalized," a state must demonstrate that for 90 percent of the students in the state, the amount of money spent per student does not vary by more than 25 percent.
  - The per-pupil expenditure of the school at the 95th percentile of ADA (size) is compared to the per-pupil expenditure at the fifth percentile of ADA. If this disparity is greater than 25 percent, then the state is not allowed to deduct state aid to schools because they receive Impact Aid.
  - If the disparity is 25 percent or less, then the state is allowed to deduct from state aid to the school district an amount based upon a percentage of Impact Aid receipts. This percentage is the percentage of local funds covered under a state's equalization program.
- States are prohibited from implementing deductions until they have been certified by the U.S. Department of Education. If a state does so without certification, then the schools may apply for relief in Federal court.

SECTION 7010 - PROGRAM ADMINISTRATION

Provides the Secretary of Education with authority when administering each provision of the program to round all payments to the nearest whole dollar amount. Requires all agencies on federally owned land to comply with the Secretary for any information the Secretary might need to carry out Impact Aid payments. Addresses the eligibility of students who live in one state, but for whom it is more practical due to factors unique to the situation to attend school in an adjacent state.

SECTION 7011 - ADMINISTRATIVE HEARINGS/JUDICIAL REVIEW

By law, any school district adversely affected by an action of the Secretary of Education is allowed to have a judicial hearing on the matter. The court shall have exclusive jurisdiction to affirm the action of the Secretary or to set it aside, in whole or in part.

SECTION 7012 - FORGIVENESS OF OVERPAYMENTS

Notwithstanding any other provision of law, the Secretary may forgive the obligation of a local school district to repay, in whole or in part, the amount of any overpayment received if the Secretary determines the overpayment was made as a result of an error made by the Secretary or the local educational agency and repayment of the full amount of the overpayment will result in undue financial hardship on the agency and seriously harm the agency's educational program.

SECTION 7013 - DEFINITIONS

This section defines terms commonly used in other parts of the law. Some of these include armed forces, average per-pupil expenditure, construction, current expenditures, Federal property, local contribution percentage, local educational agency, low-rent housing, modernization, revenue derived from local sources and school facilities.

SECTION 7014 - AUTHORIZATION OF APPROPRIATIONS

This section provides the authorization for Congress to fund the Impact Aid program. There is no limit as to how much the Appropriations Committees can at their discretion fund each provision of the Impact Aid Program. Congress has the authority to fully fund each provision.

> ***"Impact Aid is critical for our school district. Funds are used for teachers, textbooks and technology.***
>
> ***Lost property taxes not paid by the Federal Government end up as the local taxpayers' bill."***

IMPACT AID QUIZ

Write your answer in the blank space provided (True or False). Answers are on page 32.

_____ 1. Impact Aid provides funds to school districts for general operating expenses.

_____ 2. School districts that want to receive Impact Aid payments must file an application for these funds each year.

_____ 3. School districts that receive Section 7002 funds receive these funds based upon the number and type of Federal students attending the school district.

_____ 4. Section 7003 funds are distributed to school districts that have at least 400 federally connected children in average daily attendance (ADA) or at least three percent of their ADA comprised of federally connected children.

_____ 5. Under Section 7003, Federal students are assigned weights that reflect the degree of impaction these students have on local schools as determined by Congress.

_____ 6. Average Daily Attendance (ADA) is defined as the actual enrollment of students in the school district.

_____ 7. The law provides for four methods that can be used to determine the Local Contribution Rate (LCR).

_____ 8. All Federal students with disabilities may qualify for additional Impact Aid funds under Section 7003(d).

_____ 9. School districts that claim students residing on Indian Land must have Indian Policies and Procedures in place that give the Tribes veto power over how the Impact Aid funds are used.

_____ 10. The student weight for students residing on Indian Land is higher than the weights for military or low-rent housing students.

_____ 11. Students residing on Indian Land that are not Native American can generate Impact Aid funds for the school district.

IMPACT AID QUIZ (CONT'D)

_____ 12. If there are not enough funds to pay all the 7003 Basic Support payments, all schools receive a payment based upon equal proration.

_____ 13. The two factors used to determine a school district's need for 7003 Basic Support payments are: 1) the percentage of Federal students in ADA, and 2) the percentage of the general operating expenditures that the full funding payment represents.

_____ 14. School districts that qualify for Section 7002 base their payment calculations on the value of the land when it was taken off the tax rolls by the Federal Government.

_____ 15. For 7003 Basic Support payments, students who reside off Federal property and whose parents are civilians employed on Federal property may be counted if these students number at least 1,000 in ADA and/or these students represent at least 10 percent of the total ADA of the school district.

_____ 16. The LOT percentage is the degree of "need", as defined by Congress, that a school district has for Impact Aid funds, with the highest "need" at 100 percent.

_____ 17. States are not allowed to reduce state aid to an Impact Aid district unless the state has been approved to do so by the U.S. Department of Education.

_____ 18. Impact Aid payments are first sent to the State Education Agency, and the SEA distributes the funds to eligible LEAs within the state.

_____ 19. Section 7002 property is eligible if it was aquired by the Federal Government after 1935.

_____ 20. A Section 7002 payment is based on a percentage of local and industry taxes.

_____ 21. A school district with 75 percent Federal students and a budget comprised of 50 percent Impact Aid would have a LOT percentage of 125 percent.

ANSWER SHEET

1. T
2. T
3. F
4. T
5. T
6. F
7. T
8. F
9. F
10. T
11. T
12. F
13. T
14. F
15. T
16. T
17. T
18. F
19. F
20. F
21. F

APPENDIX

HISTORY OF IMPACT AID FUNDING 34
NAFIS STAFF CONTACT LIST 35
DEPARTMENT OF EDUCATION IMPACT AID PROGRAM STAFF LISTING 36
IMPACT AID GLOSSARY OF TERMS 37

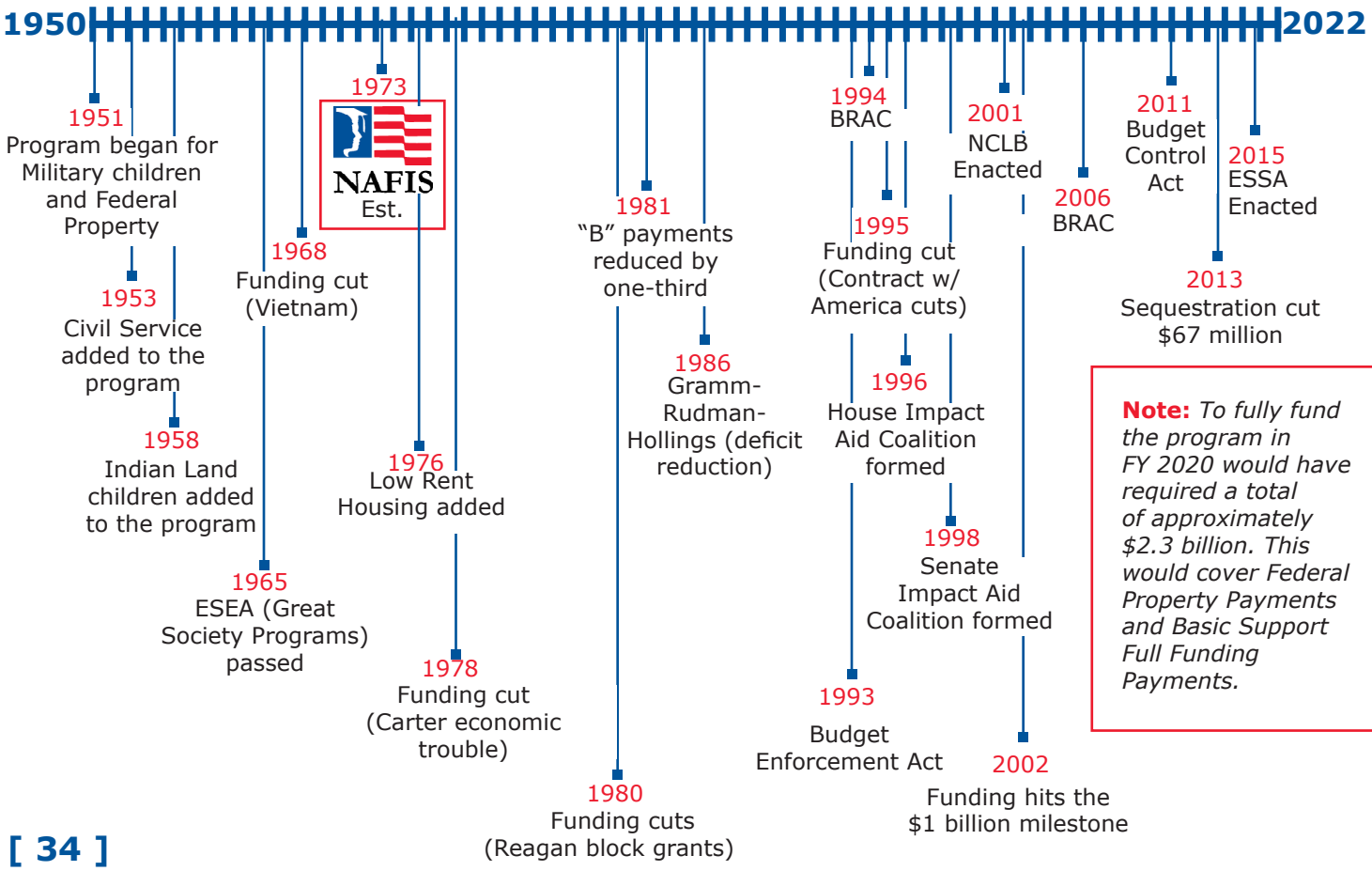
HISTORY OF IMPACT AID FUNDING

YEAR	DOLLAR LEVEL
1951	$29,080,788
1952	$51,570,000
1953	$60,500,000
1954	$72,350,000
1955	$75,350,000
1956	$90,000,000
1957	$113,050,000
1958	$127,000,000
1959	$157,362,000
1960	$186,300,000
1961	$217,300,000
1962	$247,000,000
1963	$283,322,000
1964	$320,000,000
1965	$332,000,000
1966	$388,000,000
1967	$416,200,000
1968	$406,355,000

YEAR	DOLLAR LEVEL
1969	$505,900,000
1970	$507,700,000
1971	$536,068,000
1972	$592,580,000
1973	$535,495,000
1974	$574,416,000
1975	$636,016,000
1976	$730,000,000
1977	$776,000,000
1978	$775,000,000
1979	$786,100,000
1980	$772,000,000
1981	$706,750,000
1982	$441,776,532
1983	$467,020,879
1984	$555,000,000
1985	$665,000,000
1986	$634,405,000

YEAR	DOLLAR LEVEL
1987	$685,000,000
1988	$685,498,000
1989	$709,396,000
1990	$717,354,000
1991	$740,708,000
1992	$743,708,000
1993	$738,250,000
1994	$786,300,000
1995	$728,000,000
1996	$693,000,000
1997	$730,000,000
1998	$808,000,000
1999	$864,000,000
2000	$910,500,000
2001	$993,302,000
2002	$1,143,500,000
2003	$1,188,226,000
2004	$1,229,526,739

YEAR	DOLLAR LEVEL
2005	$1,243,861,856
2006	$1,228,453,380
2007	$1,228,453,000
2008	$1,240,718,000
2009	$1,265,718,000
2010	$1,276,183,000
2011	$1,273,631,000
2012	$1,291,186,000
2013	$1,223,649,000
2014	$1,288,603,000
2015	$1,289,000,000
2016	$1,305,603,000
2017	$1,328,603,000
2018	$1,414,112,000
2019	$1,446,112,000
2020	$1,486,000,000
2021	$1,501,112,000
2022	$1,557,112,000



Note: *To fully fund the program in FY 2020 would have required a total of approximately $2.3 billion. This would cover Federal Property Payments and Basic Support Full Funding Payments.*

National Association of Federally Impacted Schools

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IAP web page address:	www.ed.gov/about/offices/list/oese/impactaid/

National Association of Federally Impacted Schools

IMPACT AID GLOSSARY OF TERMS

ADA
Average daily attendance. Average number of students present (as opposed to enrolled) during the time a school is in session.

FISCAL YEAR (FY)
A period used for calculating Impact Aid payments. The Federal fiscal year begins on October 1 of any given year and ends on September 30 of the following year. Federal fiscal years do not follow school calendar years.

LEARNING OPPORTUNITY THRESHOLD (LOT)
The percent that indicates how dependent a school district is on Impact Aid funds—the higher the LOT percentage, the closer the LOT payment is to the full funding Basic Support payment.

LOCAL CONTRIBUTION RATE (LCR)
The estimated local share of the cost of elementary and secondary education.

LOCAL EDUCATIONAL AGENCY (LEA)
A board of education or other legally constituted local school authority having administrative control and direction of free public education in a county, township, independent school district or other school district, including any state agency that operates and maintains facilities for providing a free public education.

PL 81-874
Original Impact Aid statute, passed in 1950. In 1965, it was used by Congress as the legislative vehicle to pass the Elementary and Secondary Education Act (ESEA). In 1994, Impact Aid was folded into ESEA as Title VIII, and PL 81-874 was repealed. In 2015, Impact Aid was reauthorized as Title VII in the Every Student Succeeds Act (ESSA).

SECTION 7002 - FEDERAL PROPERTY
Provides assistance to a local school district that has lost a portion of its tax base due to Federal acquisition of property. Eligibility is determined by how and when the land was acquired by the Federal government.

SECTION 7003 - BASIC SUPPORT
Payments made to school districts that educate at least 400 Federal students in average daily attendance (ADA) or have an ADA comprised of at least three percent Federal students.

STUDENT WEIGHTS

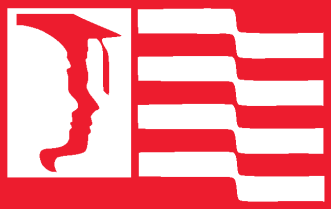
Federal students are given different weights to calculate a school district's payment. They are: Indian Land 1.25; military on-base 1.00; civilian children whose parents live AND work on Federal property 1.00; military off-base .20; low-rent housing .10; civilian children whose parents live OR work on Federal property .05.

TOTAL CURRENT EXPENDITURES

All expenditures for free public education, including expenditures for administration, instruction, attendance and health services, transportation, operation and maintenance, fixed charges and net expenditures to cover deficits for food services and student body activities. Does not include expenditures for community services, capital outlay or debt service, or expenditures made from funds awarded under part A of Title I and Title VI.

WEIGHTED FEDERAL STUDENT UNITS (WFSUs)

Children in average daily attendance multiplied by the categorical student weights in the Impact Aid law. These units are multiplied by the Local Contribution Rate (LCR) to determine an LEA's full funding Basic Support payment.



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