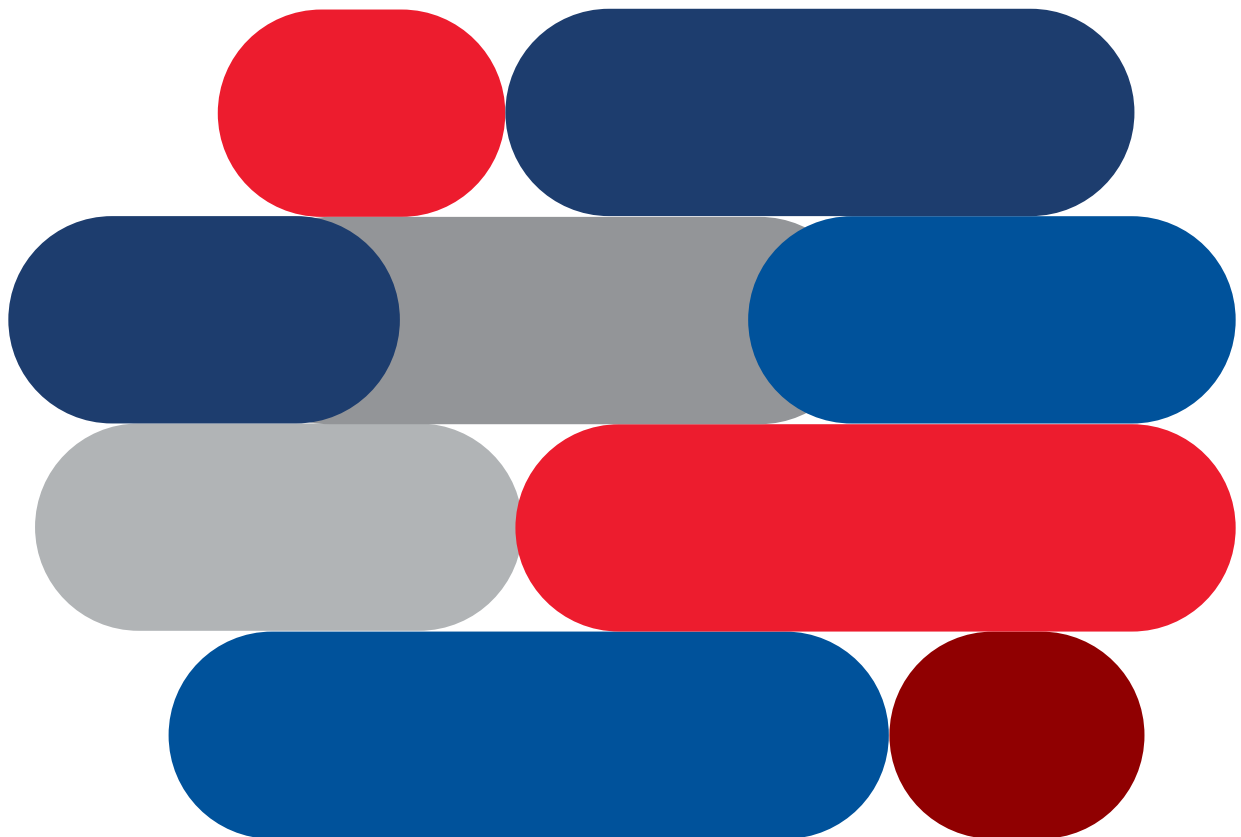


THE **BASICS** OF IMPACT AID

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



About NAFIS

The National Association of Federally Impacted Schools (NAFIS) represents approximately 1,100 federally impacted public school districts that together educate nearly eight million students across the nation. Federally impacted school districts are those located on or near nontaxable Federal property, including military installations; Indian trust, restricted, and Alaska Native Claims Settlement Act lands; Federal low-income housing facilities; and national parks, national laboratories, and other Federal buildings and property. These school districts, which are demographically and geographically diverse, receive Impact Aid.

For more than 50 years, NAFIS has been the leading voice advocating for Impact Aid, working to ensure the Federal government meets its obligation to school districts where it holds land, as well as to students and taxpayers in those communities. NAFIS has significantly increased funding for the program, successfully defended it in times of turmoil, and secured language in the law and regulations to make Impact Aid work better for school districts. Learn more at www.NAFISDC.org.

The Basics of Impact Aid offers a comprehensive overview of the Impact Aid Program, featuring a detailed section-by-section explanation of its core components. Whether you are new to Impact Aid or more experienced, keep this booklet handy to help you navigate the intricacies of the program.

Table of Contents

2. WHAT IS IMPACT AID?

3. HISTORY OF IMPACT AID

4. IMPACT AID FUNDING

5. IMPACT AID SECTION-BY-SECTION

5 SECTION 7001 - Purpose

5 SECTION 7002 - Federal Property

7 SECTION 7003 - Basic Support for Federally Connected Children

12 SECTION 7004 - Indian Policies and Procedures

13 SECTION 7005 - Application

13 SECTION 7006 (Repealed)

13 SECTION 7007 - Construction

15 SECTION 7008 - Facilities

15 SECTION 7009 - Equalization

16 SECTION 7010 - Program Administration

16 SECTION 7011 - Administrative Hearings/Judicial Review

16 SECTION 7012 - Forgiveness of Overpayments

16 SECTION 7013 - Definitions

16 SECTION 7014 - Authorization of Appropriations

17. IMPACT AID GLOSSARY OF TERMS



What Is Impact Aid?

Impact Aid is Title VII of the Every Student Succeeds Act (ESSA). It is a Federal education program that reimburses school districts for the lost revenue and additional costs associated with the presence of nontaxable Federal property. Public school districts typically rely on local taxes and fees for funding, but Federal lands and the businesses and facilities on them are exempt from these taxes. Therefore, districts containing Federal property are at a disadvantage in funding schools. In addition, Federal activities may bring students to a community with no or reduced tax revenue associated with them (for example, if they reside or their families work on Federal property). Nationwide, approximately 1,100 school districts enrolling nearly eight million students benefit from Impact Aid.

Impact Aid funding is direct, locally controlled, and flexible. Administered by the U.S. Department of Education, Impact Aid funds are appropriated by Congress and distributed directly to school districts without state involvement. These funds benefit all students in the school district and can be used for any general fund purpose, such as instructional materials, salaries, transportation, technology, or capital needs. Decisions on how Impact Aid funds are spent are made locally, allowing school district leaders to target funds where needs are greatest. Unlike most Federal education programs (such as IDEA, Title I, and other Title programs), Impact Aid is not intended as a supplement to local funds - rather, it supplants them, making up for lost local revenue. Colloquially, Impact Aid is referred to as "Uncle Sam paying his taxes."

To receive Impact Aid, school districts must apply to the U.S. Department of Education each year. The application deadline is usually January 31 (applications may be amended until June 30). The Department reviews the applications and processes payments based on congressional appropriations each fiscal year (which runs October 1 - September 30). It allocates funding in multiple installments until all available funds are distributed.

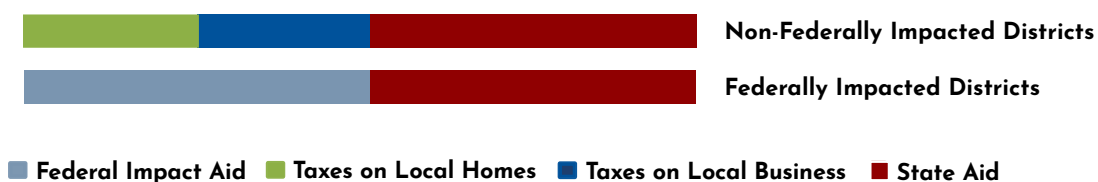
Why Do We Need Impact Aid?

Financing Non-Federally Impacted School Districts

U.S. public schools are financed through a combination of state and local revenue. Usually about 50% percent of a school district's funding is derived from state aid, and 50% is derived from local funding. Local funding sources include 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 Federal lands within their boundaries lose local revenue because of nontaxable Federal activities. Impact Aid partially reimburses school districts for this loss of locally-derived revenue.



Examples of Federal Impaction

Military Installations

Indian Trust, Restricted, & Alaska Native Claims Settlement Act Lands

Federal Low-Rent Housing

Federal Properties & Facilities (ex. national parks & national laboratories)

History of Impact Aid

The Impact Aid Program, signed into law by President Harry Truman in 1950, is the nation's oldest K-12 Federal education program.

Today's Impact Aid Program had its beginnings in the early 1800s. Regulations passed in 1821 supported the cost of schools educating military-dependent children. Later, the Johnson-O'Malley Act of 1934 recognized that local taxes were unavailable to support the education of Native American children and provided necessary funding for their schooling. 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 legislation in the late 1930s and early 1940s further laid the groundwork for the modern Impact Aid Program.

Originally, Impact Aid consisted of two separate laws to make up for the impact of federally owned property on school districts:

- **P.L. 81-815** - assisted in funding construction projects in federally impacted school districts
- **P.L. 81-874** - assisted in funding operations in federally impacted school districts

In the beginning, only civilian students were counted for Impact Aid, with military, Indian Lands, and low-rent housing students later deemed eligible.

In 1965, Impact Aid was the legislative vehicle used to enact the Elementary and Secondary Education Act (ESEA). Impact Aid remained a stand-alone law until the 1994 ESEA reauthorization. At that time, it was incorporated into ESEA as Title VIII, and P.L. 81-815 and P.L. 81-874 were repealed. Major changes to the program were also implemented during that reauthorization, giving the program the general structure it has today. In 2015, Impact Aid was reauthorized as Title VII of the Every Student Succeeds Act (ESSA, the most recent iteration of ESEA).

The NAFIS Family

When Impact Aid first passed, it was fully funded. However, in 1965 President Lyndon Johnson's "Great Society" created many new domestic policy initiatives and legislation (including the Elementary and Secondary Education Act, ESEA) that compete with Impact Aid for funds. As a result, the program was last fully funded in 1969, leading to conflicts among different groups within the Impact Aid community. School districts representing military communities, Indian Lands, federal properties, and other federally impacted areas started advocating for their unique needs to secure the highest possible funding for their causes.

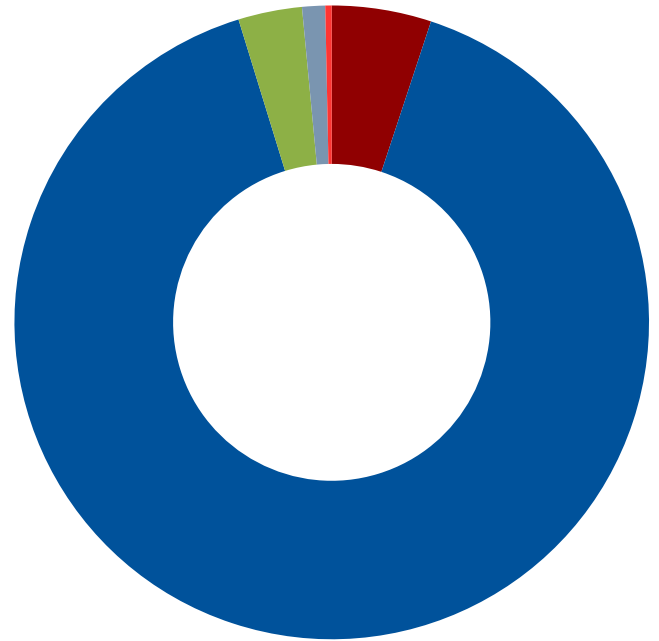
In 1978, due to concerns over funding levels and misinformation in Washington, D.C., the Impacted Area Schools Information Service (which eventually became NAFIS) urgently called for support in the nation's capital to defend the program. The appeal marked the beginning of the "NAFIS Family" – a concept that emphasizes the importance of unity within the Impact Aid community, regardless of the type of Federal property impacting a school district, to collectively strengthen the program. Today, although various constituencies have different priorities and ideas for improving Impact Aid, NAFIS acts as an umbrella organization that brings together four subgroups representing different Impact Aid interests. It ensures a unified voice advocating for the program. These subgroups are:

- Federal Lands Impacted Schools Association (FLISA)
- Learning Opportunity Impacted Schools Association (LO~ISA)
- Military Impacted Schools Association (MISA)
- National Indian Impacted Schools Association (NIISA)

Impact Aid Funding

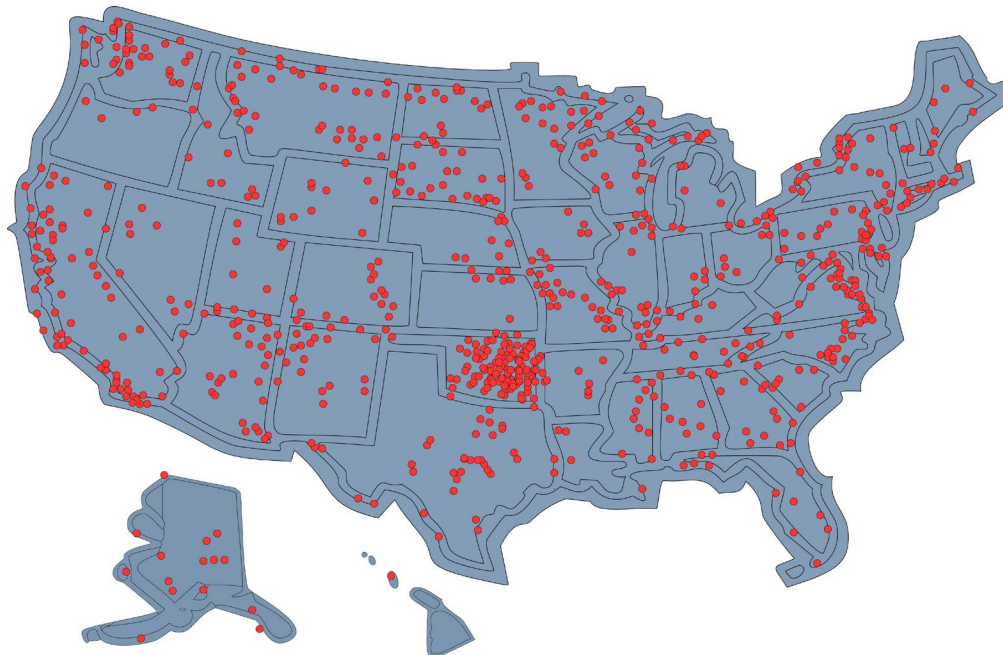
Congress appropriates Impact Aid funding annually. The House and Senate Labor, Health and Human Services, Education, and Related Agencies Appropriations Subcommittees have jurisdiction. It was last fully funded in 1969.

The Impact Aid Program is the only major K-12 Federal education program that is not forward funded. For example, FY 2026 funds for programs like Title I and IDEA are for the 2026-2027 school year, but for Impact Aid they are for the 2025-2026 school year. A delay in appropriations caused by a Continuing Resolution (CR) or government shutdown has an immediate effect on Impact Aid-recipient school districts. Without a payment early in the school year, districts may have difficulty funding day-to-day operations, instructional expenditures, 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 FY 2013 sequester of Impact Aid had a devastating effect in some school districts. As one of the first programs to be cut, leaders in federally impacted districts 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 steadily increased FY 2016-2024 and remains stable today despite political pressures on the federal budget.



Funds are associated with five sections of the Impact Aid Program:

- **Section 7002 Federal Property (~5% of total Impact Aid funding)**
- **Section 7003(b) Basic Support (~90%)**
- **Section 7003(d) Children with Disabilities (~3%)**
- **Section 7007 Construction (~1%)**
- **Section 7008 Facilities (~0.3%)**



Map of school districts across the United States that receive Impact Aid

Section 7001 - Purpose

Impact Aid was established to fulfill the Federal responsibility to assist with educating federally connected children in a manner that promotes control by local educational agencies with little or no Federal or State involvement. Because certain activities of the Federal Government place a financial burden on local educational agencies (LEAs), Impact Aid provides financial assistance to affected LEAs to help children meet state academic standards.

Eligible local educational agencies include those that:

- 01.** experience a substantial continuing financial burden due to the acquisition of property by the United States;
- 02.** educate children who reside on Federal property and whose parents are employed on Federal property;
- 03.** educate children of parents who are in the military services and children who live in low-rent housing;
- 04.** educate heavy concentrations of children whose parents are civilian employees of the Federal Government and do not reside on Federal property; or
- 05.** need special assistance with capital expenditures for construction activities because of the substantial enrollment numbers of children who reside on Federal lands and because of the difficulty of raising local revenue through bond referendums for capital projects due to the inability to tax Federal property.

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, but the school district is 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 that school districts experience on an annual basis.

Eligibility

Approximately 200 school districts receive Section 7002 funds each year. A school district must meet four criteria to be eligible for Section 7002. The Federal property must have been:



- 01.** Acquired by the Federal Government after 1938;
- 02.** At least 10% of the **assessed value** of taxable property in the district at the time of acquisition (not 10% of the land in the district);
- 03.** Not exchanged for other Federal property; and,
- 04.** Revenue from Federal activities on the property do not substantially compensate the school district.

Multiple land acquisitions can push a school district into 7002 eligibility. For example, if in 1939 the Federal Government acquired 7% of the assessed value of property in a district and then in 1943 acquired an additional 4%, the school district became eligible for a 7002 Impact Aid payment in 1943.

Examples of Eligible Federal Property

Federal Dams & Reservoirs

National Parks, Grasslands, & Laboratories

Army Corps of Engineers Projects

Military Testing Grounds & Military Academies

Applying for Section 7002 Payments

The U.S. Department of Education approves eligibility for Section 7002. To prove a parcel of land is eligible, you need 1) an acquisition record (commonly a deed); 2) the assessed value of property at the time it was sold/transferred to the Federal Government; and 3) the assessed value of all land in the school district at the time of acquisition.

School districts must submit an application for payment to the U.S. Department of Education each year. There are five different components of the application:

1. Total eligible Federal acres
2. Any revenue received based on Federal activities on the Federal property
3. Total acres in the LEA to include Federal acres
4. Total taxable value of the LEA
5. Tax rate for current operating expenditures

Determining Section 7002 Payments

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 (also known as its full funding payment). It includes three steps:

Calculating Section 7002 Payments

- | | | | |
|------------|--|---|--|
| 01. | Total assessed value of taxable property divided by the number of acres, excluding the number of Federal acres | = | Average Dollar-per-Acre of Taxable Property |
| 02. | Average dollar-per-acre of taxable property multiplied by the number of eligible Federal acres | = | Value of Federal Property |
| 03. | Value of Federal property multiplied by the local tax rate | = | Maximum Payment (aka Full Funding Payment) |

Section 7002 is underfunded. In recent years, the level of congressional appropriations has met only about seven percent of the program's need based on what it would require to fund each school district's maximum payment. As a result, the funding available after the foundation payment is made is equally prorated based on each school district's maximum payment as a percentage of the total program cost.

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.

Section 7003 - Basic Support

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.

Eligibility

Approximately 950 school districts are eligible under Section 7003 each year. 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.

Because the Impact Aid payment formula incorporates the number of federally connected students in a school district, the district must count them each year. There are two options for doing so:

Parent-Pupil Survey: A U.S. Department of Education-approved form for counting the school district's federally connected children. The district provides a form to parents for each enrolled child that verifies the child's connection to Federal land through residence and/or parent's place of employment.

Source Check: A U.S. Department of Education-approved means of verifying a child's connection to federally owned land. The school provides relevant student information to: 1) an employer, who identifies the place of employment of a parent of each 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.

Student Weights

Indian Lands - Child who resides on Indian trust, restricted, or ANSCA land - 1.25 weight

Military on-base - Child whose parent(s) are members of the uniformed services and who resides on a military installation, including children of foreign military officers - 1.0 weight

Military off-base - Child whose parent(s) are members of the uniformed services but who resides off the military installation, including children of foreign military officers - 0.20 weight.

Low-rent housing - Child who resides in Federal low-rent housing (not Section 8 housing) - 0.10 weight

Civilian live on/work on - Child whose parent(s) both live AND work on Federal property - 1.0 weight

Civilian work OR live on* - Child whose parent(s) reside on Federal property but work on taxable land OR reside on taxable land but work on Federal property - 0.05 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.*

The weight is multiplied by the ADA of the students in each category to calculate the total Weighted Federal Student Units (WFSUs) in the district. For example, if you have 100 Indian Lands students in ADA, 100 Civilian live on/work on students in ADA and 100 Military off-base students in ADA, then your total WFSUs would be 245:

$$100 \times 1.25 \text{ (Indian Lands)} + 100 \times 1.0 \text{ (Civilian live on/work on)} + 100 \times 0.20 \text{ (Military off-base)} = 245 \text{ WFSUs}$$

Determining a School District's Section 7003 Maximum Payment

There are two steps to determine the payment a school district would receive if the program were fully funded by Congress, known as its maximum payment or full funding payment:

01. Multiply the number of Federal students in ADA by their respective weights and total them = **Weighted Federal Student Units (WFSUs)**
02. Multiply the school district's total WFSUs by the Local Contribution Rate = **Maximum Payment (aka Full Funding Payment)**

Local Contribution Rate

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 Local Contribution Rate (LCR).

Since per-pupil expenditures change each year, the LCR changes each year as well, reflecting real changes in the costs of education. The data used to compute the LCR is based on National Center for Education Statistics (NCES) data from three years prior to the fiscal year for which the payments are calculated.

There are four ways to calculate the LCR for a school district, three of which are done automatically by the U.S. Department of Education. The school district receives the highest calculated option.

01. 50 percent of the state average per-pupil expenditure, or
02. 50 percent of the national average per-pupil expenditure, or
03. The state average percentage of local revenue multiplied by the state average per-pupil expenditure, or
04. The use of comparable school district per-pupil expenditures (requires cooperation with the state education department)

Determining a School District's Actual Section 7003 Payment

Congressional appropriations play an important role in determining a school district's actual Section 7003 payment. If Congress fully funded Impact Aid, each school district would receive its maximum payment. However, the program has not been fully funded since 1969. In recent years, Congress has appropriated only enough money to meet about 60% of school districts' need (as measured by the sum of all school districts' maximum payments). Therefore, Congress developed a formula to fairly distribute available funds to school districts. It is known as the **Learning Opportunity Threshold (LOT)**.

"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." - NAFIS Member

Learning Opportunity Threshold

Impact Aid payments are distributed on a “needs-based” formula, rather than simply prorated. School districts more dependent on funds, as measured by the Learning Opportunity Threshold (LOT), receive a higher proportion of their maximum payment than those not as financially dependent on Impact Aid. There are two components to LOT:

- 01.** % of Federal students in Average Daily Attendance (ADA)
- 02.** % the maximum payment is of the district’s Total Current Expenditures (TCE)

A district’s LOT percentage is the sum of those two components. Each school district has its own LOT percentage, ranging from less than one to 100 percent. If appropriations will fund LOT at 100 percent, a 100 percent LOT district will receive its maximum payment. Other districts receive their LOT percentage of their maximum payment.

- When appropriations cannot pay each school district its 100 percent LOT payment, each school district is prorated down (for example, all school districts receive 97% or 94% of their LOT payment - whatever the appropriation will cover).
- If there is more than enough money to fund LOT, then 100 percent LOT districts receive their maximum payment and all other school districts receive an additional payment evenly prorated, with no district receiving more than its maximum payment.

Example of Using LOT to Determine School District Actual Payments

	<u>District “A”</u>	<u>District “B”</u>
Total ADA	1200	1200
Total Federal Student ADA	650	100
Percent Federal Student ADA	54 percent	8.4 percent
Total Current Expenditure (TCE)	\$6,000,000	\$9,000,000
Maximum/Full Funding Payment (MP)	\$4,376,125	\$336,625
Percent Maximum Payment of TCE	73 percent	3.8 percent
LOT Percentage	100 percent*	12.2 percent

LOT% x MP = Actual Payment at 100% LOT

\$4,376,125

\$41,068

*LOT is never higher than 100 percent

In the example above, District “A” has a LOT of 100 percent since 54 percent of its students are federally connected and the maximum payment represents 73 percent of the district’s TCE - but LOT cannot exceed 100 percent. It would be considered one of the highest need districts. District “B” has a LOT of 12.2 percent because Federal students make up only 8.4 percent of its ADA and the maximum payment makes up only 3.8 percent of its TCE. It would be considered a low LOT district.



Small District Adjustment

School districts with fewer than 1,000 students in ADA and a per-pupil expenditure (PPE) less than the state or national average PPE 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.

Example of Small District Adjustment

	<u>District "A"</u>	<u>District "B"</u>
Total ADA	850	850
Total WFSUs	100	100
Per Pupil Expenditure	spends > national average	spends < national average (gets SDA!)
LOT Percentage	5%	5% 40%
Local Contribution Rate	\$4,898	\$4,898
Maximum Payment (WFSUs x LCR)	\$489,800	\$489,800
Actual Payment (Max. Payment x LOT%)	\$24,490	\$195,920

In the example above, the school districts both have fewer than 1,000 students in ADA and a calculated LOT of 5%. However, District "A" does not qualify for Small District Adjustment because the district spends more than the national average PPE. Since District "B" has a PPE less than the national average, the district qualifies for Small District Adjustment and the actual payment is calculated with a LOT of 40%.

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 count fluctuations). It functions as a stepdown: 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.

Example of Hold Harmless

A school district has a payment of \$1,000,000 that is calculated to drop to \$590,000 the following year, so the Hold Harmless begins. Assuming the calculated payment remains the same for the next several years, the following payments would be made:

Year 1:	\$900,000 (90% of prior year payment)
Year 2:	\$765,000 (85% of Year 1 payment)
Year 3:	\$612,000 (80% of Year 2 payment)
Year 4+:	\$590,000 (the calculated payment)

If at any point the payment calculated for the school district exceeds what it would receive under the Hold Harmless, the district falls out of Hold Harmless and will instead receive the calculated payment.

Section 7003(b)(2) - Heavily Impacted Districts

Districts qualify for additional funding if they meet certain criteria related to local tax effort, per-pupil expenditures, and percentage of federally connected students. Approximately 25 school districts meet this criteria each year.

An applicant that wishes to be considered for a heavily impacted payment must submit information indicating tax rate eligibility with their annual Section 7003 Impact Aid application. Final tax rate eligibility must be verified by the State Educational Agency (SEA). In general, the school district must have a tax rate at least 95% of the state average. Eligibility and payments are determined based on three-year-old student, tax rate, and PPE data. If a school district's "regular" payment would be higher than its (b)(2) payment, it would receive the regular payment.

Section 7003(d) - Children with Disabilities

Payments are made to school districts for the additional costs associated with educating military and Indian Lands students with disabilities, identified as those with an active Individualized Education Program (IEP) on the district's Impact Aid student count date (note that civilian and low-rent housing students are not eligible for 7003(d) funds).

Unlike most Impact Aid funds, there are restrictions on how Children with Disabilities (CWD) funds can be spent. They must be used for activities in line with the Individuals with Disabilities Education Act (IDEA).

To determine a school district's 7003(d) payment:

- 01.** Calculate the number of Federal Weighted Disability Units
 - ADA of children with disabilities who reside on Indian Lands - weighted 1.0;
 - ADA of military children with disabilities who reside on Federal land - also weighted 1.0;
 - 1/2 the ADA of military children with disabilities who reside off Federal land - weighted 0.5
- 02.** Add up all of the weighted disability units for all eligible school districts nationwide
- 03.** Divide the appropriation for 7003(d) by the nationwide total to determine the per-unit payment
- 04.** Multiply the district's number of disability units by the national per-unit payment to get the district's CWD payment

Example of Children with Disabilities Payment Calculation

Eligible CWD Students in ADA:	50 Indian Lands and 40 Military Off-Base in ADA
Weighted Disability Units by Type:	50 x weight of 1.0 = 50 , 40 x weight of 0.5 = 20
Total Weighted Disability Units:	50 + 20 = 70

If the total 7003(d) appropriations is \$48,000,000 and the nationwide total of disability units is 43,000, the per-unit payment is $\$48,000,000 / 43,000 = \$1,116.28$.

Total 7003(d) Payment = 70 X \$1,116.28 = \$78,139.60

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

School districts that educate children residing on Indian Lands 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, approves, and monitors implementation of IPPs, which are submitted with the Impact Aid Section 7003 application. If a Tribe is satisfied with the school district's provision of educational services to its students, it may submit a letter waiving the IPP requirement. If a school district claims children living on the land of multiple Tribes, it must obtain waivers from all the Tribes.

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 per 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.

Note that requirement five requires a thoughtful, written response to ALL feedback submitted by the Tribe, not just feedback related to IPPs. While the school district is not required to implement all suggestions submitted by the Tribe, it is required to show that it carefully considered them. For example, if the Tribe requests a language immersion program that the school district cannot afford, the school district response should explain the rationale behind the decision and include an effort at compromise - for example, starting an afterschool language program staffed by volunteers from the Tribe.

IPPs are distinct from the Title VI Parent Advisory Committee and ESSA State Tribal Consultation requirements. However, if they meet the conditions outlined by the Impact Aid Program, tribal consultations may be combined with those of other programs.

Section 7005 - Application

Section 7005 explains 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. The application must contain information to determine eligibility and, where applicable, that the school district is in compliance with Section 7004 (Indian Policies and Procedures).

The Secretary of Education establishes the Impact Aid application deadline, typically January 31, under this section. In addition, this section establishes a 10% payment reduction for applications that are submitted late, but within 60 days of the deadline. School district applications that are submitted more than 60 days after the deadline do not receive funding. Applications may be amended until June 30 (or, if that day falls on a weekend, the next business day) in accordance with Impact Aid regulations.

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.

The Impact Aid Construction program includes both formula grants and competitive grants. In the law, program funds are split into two pots: 40% is allocated by formula and 60% is dedicated to competitive grants that typically assist school districts with emergency facility needs. In recent years, funding has been so low that Congress instead allocates the full funding to competitive and formula grants in alternating years, distributing formula grants in even fiscal years and awarding discretionary grants in odd fiscal years, rather than breaking them into the 40/60 split.

Unlike most Impact Aid, which can be used for any general fund purpose, construction funds are restricted to use on construction projects, such as the preparation of drawings and specifications for school facilities; the construction, repair, modernization, and expansion of these facilities; and debt service for such activities.

Section 7007(a) - Construction Formula Grants

School construction formula funding is automatically allocated to eligible districts based on their Section 7003 applications. School districts do not need to apply separately for these funds. There is no time limit during which the funds must be expended - they may be saved for a future project.

Eligibility

School districts are eligible for formula funds if they receive funds under 7003 and meet at least one of the following conditions:

- Serve 50 percent or more Indian Lands students
- Serve 50 percent or more military students
- Receive funds from 7003(b)(2) (heavily impacted)



Calculating 7007(a) Payments

Half of construction formula funding is allotted to military districts, and half is allotted to Indian Lands districts. To determine a school district's 7007(a) payment:

- Calculate the total number of Indian Lands and military weighted federal student units (WFSUs) in all eligible LEAs;
- Divide 50 percent of the total appropriation for 7007 formula funds by the number of Indian Lands WFSUs and 50 percent by the number of military WFSUs in all 7007-eligible LEAs to determine the per-unit payment for each type of student;
- Multiply the district's WFSUs for the type of student for which it is eligible times the per-unit payment for each type of student.

Examples of Construction Formula Grant Calculations:

	District "A"	District "B"
Eligible Students in ADA	80 on-base & 300 off-base military	250 Indian Lands
WFSUs in District	140 WFSUs (80 x 1.0) + (300 x 0.20)	312.5 WFSUs (250 x .125)
National WFSUs	46,700	95,900
Appropriations	\$8,703,000	\$8,703,000
Appropriations Payout	\$186.36 (\$8,703,000/46,700)	\$90.75 (\$8,703,000/95,900)
Total 7007 payment	\$26,090.40 (140 WFSUs x \$186.36)	\$28,359.38 (312.5 WFSUs x \$90.75)

Section 7007(b) - Discretionary Construction Grants

For competitive grants, applications are prioritized based on a district's ability to generate local funding (such as through bonding) and if it has a school facility emergency as determined by the Secretary of Education. "Emergency Request" grants to address threats to the health, safety, and well-being of students are given first priority. "Modernization" grants to address capacity issues and allow the school district to utilize technology and offer a curriculum in accordance with contemporary state academic standards would also be awarded if funds are available after all emergency grants have been made, but that has not been the case in recent years.

Eligibility - Any school district that is at least 40 percent impacted with Indian Lands or military dependent students may apply on behalf of the local educational agency. In addition, an individual school site may also apply if the enrollment of either Indian Lands or military dependent students equals or exceeds 40 percent of the school's total enrollment.



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).

"Additional Impact Aid construction money would go towards district facility maintenance, school bus replacement, and school street pavements, as well as a student athletic facility." - NAFIS Member

Section 7008 - Facilities

Section 7008 provides payments for upkeep and repair of school buildings that are used by school districts but owned by the U.S. Department of Education.

Currently there are only a few buildings owned by the U.S. Department of Education but operated by public school districts. Once buildings are modernized and up to code, ownership of such facilities is transferred to the local school district. The Department is continuously working to update these facilities and return them to public school districts.

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 request certification from the U.S. Department of Education to be considered equalized. That status allows it to reduce the amount of state funding allocated to a particular school district based on its Impact Aid payment.

Only if certified as "equalized" by the U.S. Department of Education can a state reduce the amount of aid it provides 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 district at the 95th percentile of ADA (meaning it serves amongst the largest number of students in the state) is compared to the per-pupil expenditure of the district at the fifth percentile of ADA (meaning it serves amongst the smallest number of students in the state). If this disparity is greater than 25 percent, then the state is not allowed to deduct state aid to school districts because they receive Impact Aid.
- If the disparity is 25 percent or less, then the state is allowed to deduct from state aid to school districts 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.

"Impact Aid helps our district in so many ways, like keeping the lights on. Keeping the staffing levels necessary to serve our underrepresented and high-need students. Transportation to ensure that all students are able to get to school. Providing services to students with special needs. Keeping our athletic and performing arts programs alive. Providing the materials necessary to have vibrant STEM opportunities for students. Offering culturally relevant courses and materials to students. Ensuring that all students had one-to-one devices and access to internet services during the pandemic." - NAFIS Member

Section 7010 - Program Administration

This section provides the Secretary of Education with authority when administering each provision of the program to round all payments to the nearest whole dollar amount. It also 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. In addition, it 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 terms 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 Glossary of Terms

Average Daily Attendance (ADA)

Average number of students present (as opposed to enrolled) during the time a school district 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 district's maximum Section 7003 Basic Support payment.

Local Contribution Rate (LCR)

The estimated local share of the cost of elementary and secondary education, used in calculating a school district's Section 7003 Basic Support payment.

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

The 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 federally connected students in average daily attendance (ADA) or have an ADA comprised of at least three percent federally connected students.

Student Weights

Because different categories of federally connected students have different financial impacts on a school district, each category of student is given a different weight used in calculating the school district's payment.

Total Current Expenditures (TCE)

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)

The average daily attendance (ADA) of each category of federally connected students multiplied by its categorical student weight as outlined in the Impact Aid law. WFSUs is multiplied by the Local Contribution Rate (LCR) to determine an LEA's maximum Section 7003 Basic Support payment, the amount it would receive if Impact Aid were fully funded by Congress.

NAFIS Office

400 N. Capitol St., NW
Suite 290
Washington, DC 20001

Phone: 202-624-5455
NAFISDC.org
@NAFISSchools
#ImpactAid

U.S. Department of Education Impact Aid Program Office

ImpactAid@ed.gov
impactaid.ed.gov

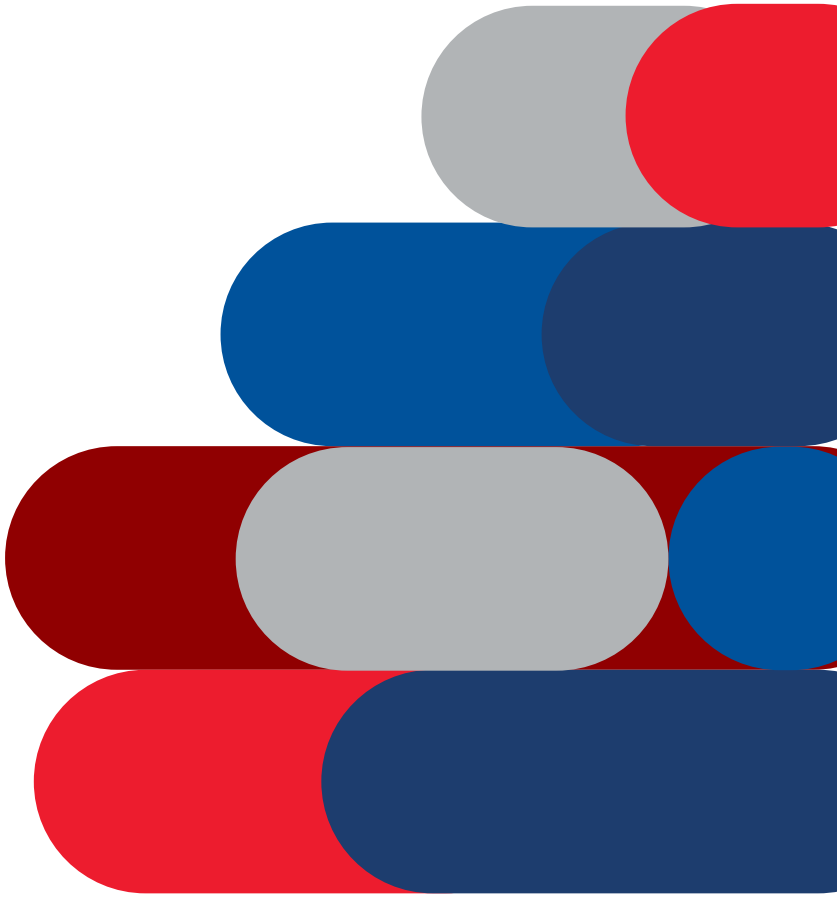
NAFIS Subgroups

Federal Lands Impacted Schools Association
flisa.org

Learning Opportunity Impacted Schools Association
sites.google.com/view/lo-isa

Military Impacted Schools Association
militaryimpactedschoolsassociation.org

National Indian Impacted Schools Association
niisa.org



Updated September 2025



**National Association
of Federally Impacted Schools**