

Getting a Grip on the Basics of Impact Aid



Introduction

The National Association of Federally Impacted Schools (NAFIS) has recently updated “*The Basics of Impact Aid*”. This booklet contains all the information one needs to know when dealing with or trying to learn any aspect of the Impact Aid program. Whether you are brand new to the program, or have known about it for years, it’s always good to go through the basics and brush up on any changes or forgotten portions.

In this copy of “*The Basics of Impact Aid*”, you will learn exactly what it means to be federally impacted. A brief history of the Impact Aid program and why it began is also included. The major provisions of the law will be explained, as well as how “need” is determined and in turn, how payments are calculated. Also included are charts, graphs, and examples to help the reader more easily visualize how the program actually works, what the different formulas entail, and how each school district’s individual and unique impaction and needs play into what they are paid each year.

This booklet is for anyone seeking knowledge on the Impact Aid program and contains the most up to date information through FY 2007. If you have further questions, please do not hesitate to contact the NAFIS office at 202-624-5455, or look up our website at www.sso.org/nafis.



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Getting a Grip on the Basics of Impact Aid

The Original Federal Education Program

Title VIII-Public Law 107-110

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The Basics of Impact Aid

General Information

- Impact Aid is the second oldest elementary-secondary federal education program administered by the Department of Education currently in law, and was first passed in 1950 under President Harry Truman.



- The program was formed to help make up the lost local tax base to school districts imposed upon by federal property. In other words, people living on federal property do not pay local property tax. People who work on federal property in turn, work for companies that do not pay local property tax. Also, people who work for the military have the ability to shop for food and other items at a PX that does not charge sales tax. Therefore, school districts lose not only property tax revenue, but also sales tax and licensing fees. The program was also designed to provide payments in lieu of taxes to school districts that have had large parcels of land taken off the tax roles after 1938 as a result of a federal action.

- There are basically four areas of federal impactation: Indian trust or treaty lands, low rent housing projects, and military bases, and other federal ownership of land such as national parks, federal prisons, VA hospitals, and other federally owned parcels of land.

- The Impact Aid Statute was originally referred to as P.L. 81-874. In 1965 it was used by Congress as the vehicle to build the Elementary and Secondary Education Act. In 1994 Impact Aid was folded into ESEA as Title VIII (P.L. 81-874 was repealed). The current law was scheduled to be reauthorized in FY 2007. Currently, the law has been extended through FY 2009.

- It is the only education program that is not forward funded. When Congress appropriates dollars annually in the fall, the money is immediately wired to school district's bank accounts. Other programs' dollars are designated for the following school year, placing them in less of a financial bind in the case of a continuing resolution (CR).

- The 8003 (b) Basic Support part of the program is currently (F.Y. 2009) funded at about 60% of need, while the 8002 Federal Property part of the program is funded at 3.5% of need OR Section 8003 has a 40% unfunded need while Section 8002 has a 96.5% unfunded need.

- The money is appropriated through the Labor - HHS - Education Appropriation Bill.

- The Impact Aid program is the most efficient of all education programs, as the money is wired directly from the Department of Education to the school's bank accounts, avoiding administrative costs at the state level. In some cases the funds are wired to a county administrative unit for disbursement to the school district or in the case of a dependent school district (doesn't possess the authority to tax directly) to the city or county treasurer.

- There are no "strings attached" to the money and districts can use it in the areas they need it most as determined by the locally elected school board. It can be used for construction, salaries, supplies, unless otherwise prohibited by state law.

Federally Connected Children

- Are those children whose parent(s) or legal guardian(s) reside and/or work on federal property. The law recognizes as eligible those –
 - Children whose parent(s) both live and work on federal property
 - **Referred to as a Civilian “a” child**
 - Children whose parent(s) live on Indian trust or treaty (restricted) land
 - **Referred to as a Indian land “a” child**
 - Children whose parents reside in federal low rent housing – not including - Section 8 housing
 - **Referred to as a Low rent housing “b” child**
 - Children whose parent(s) are members of the uniformed services and reside on a military base including children of foreign military officers
 - **Referred to as a Military “a” child or on-base**
 - Children whose parent(s) are members of the uniformed services but who reside off the military base including children of foreign military officers
 - **Referred to as a Military “b” child or off-base**
 - Children whose parent(s) are civilian employees of the federal government or who work on federal property
 - **Referred to as a Civilian “b” child whose parent works on federal property**
 - Children whose parent(s) reside on federal property, but who work on taxable land
 - **Referred to as a Civilian “b” child whose parent lives on federal property only – works on taxable property**



Number of Federally Connected Children in Average Daily Attendance by Student Category

Fiscal Year 2008

• Notwithstanding the number of students not yet verified on Table 9 (of the Impact Aid application – base house renovation) there are approx. 927,313.97 federally connected children in average daily attendance (ADA) in the program. (*Fiscal Year 2008 estimate*)

-3,182.12 civilian “a” (*children whose parents live and work on federal property*)

-99,680.62 military “a” (*children whose parents reside on-base*)

-252,059.65 military “b” (*children whose parents reside off-base*)

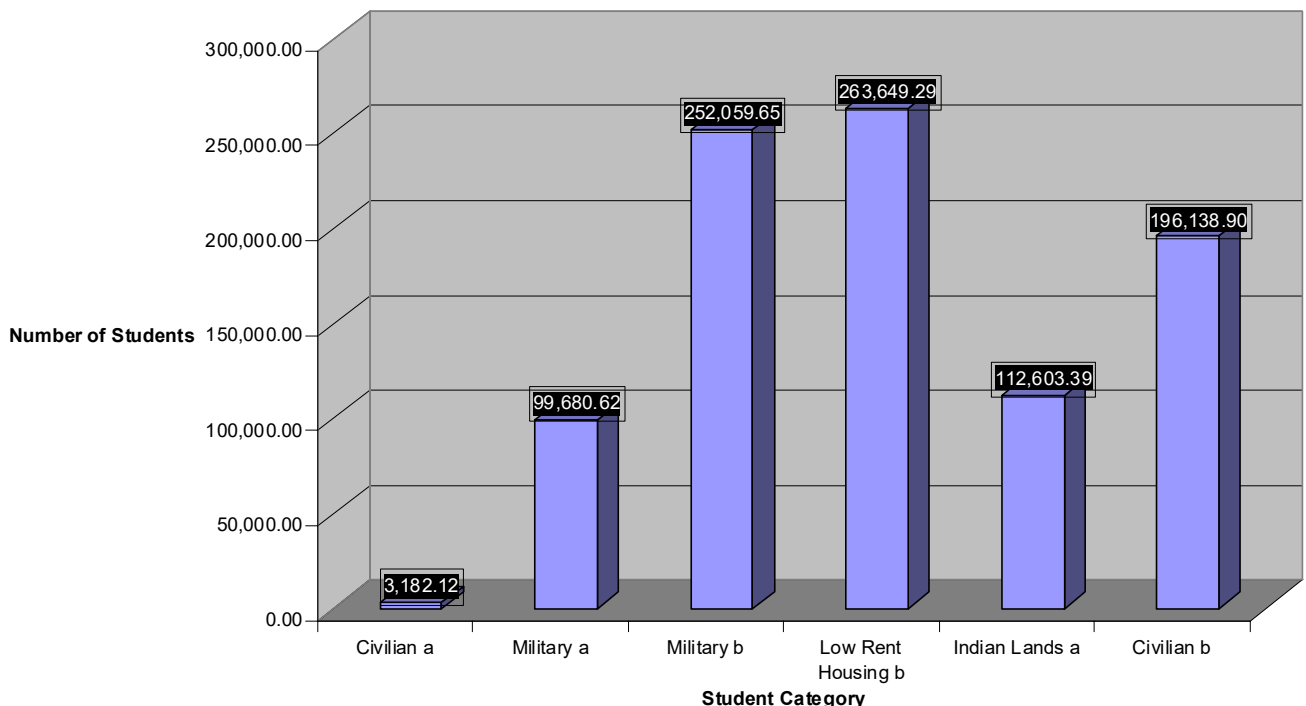
-263,649.29 low rent housing “b” (*children whose parents reside in federal low-rent housing*)

-112,603.39 Indian lands “a” (*children who reside on Indian Trust/Treaty Land including Alaskan Natives residing on Alaskan Native Claims Settlement Land*)

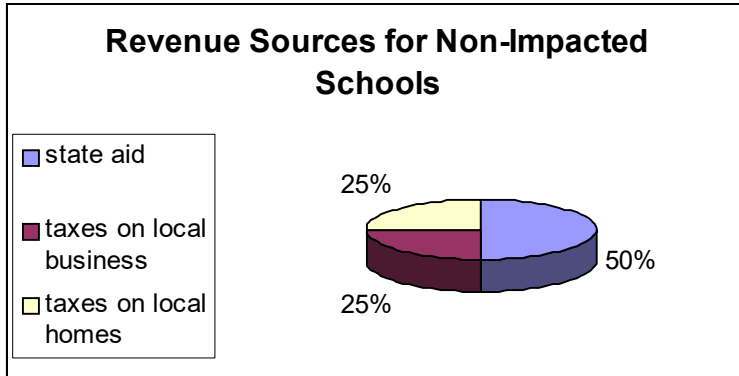
-196,138.90 civilian “b” children (*children whose parents live on and work off of federal property OR whose parents work on, but live off of federal property*)*

• Civilian “b” children can only be calculated into a school’s payment if there are at least 1,000 in the district, **or** if they represent 10% or more of the school district’s **Average Daily Attendance (ADA)**.

Federally Connected Children in ADA by Student Category FY2008



Financial 'Impact' on Local Schools



- A non-federally impacted school has three main sources of revenue.

- Businesses located on federal land are exempt from local taxes. In the case of the military, those who live and work on base do not pay property tax, nor do they necessarily pay income tax to the state in which the school district is located, due to the Soldier's and Sailor's Relief Act. **This results in a 25% loss of revenue to the**

school district.

- Homes that are located on federal property are also exempted from local taxes. **This results in another 25% loss for the school district. The school district has now lost half of its revenue**, and only has its state aid left to account for the other half.

- School districts also lose money on local sales tax when a military installation is involved. These families are allowed to shop at a PX store in which they are exempt from paying sales tax.

The Actual 'Impact' of Law

FUNDING SOURCES

There are six "pots of money" for payments to school districts for different types of federal impactation:

*Section 8002— **PAYMENTS FOR PROPERTY (\$66,208,000 FY '09)**

NAFIS proposes \$104,208,335 for FY2010.

-These are payments made to reimburse school districts that have had significant amounts of land removed from their tax rolls because of ownership by the federal government. This is property that is located within the boundaries of the school district, but does not necessarily have people living on it. Examples of this would be:



- National park
- Army Corps flood project
- Military testing grounds (example - Rocky Mountain Arsenal)
- National grasslands
- Environmental waste sites

****There are certain requirements a school district must meet to be eligible for 8002 payments:**

- The U.S. has acquired ownership of land in the school district since 1938
- The property was not acquired by exchange for other federal property
- The assessed valuation of the property is at least 10% or more of the school district's total assessed value when the property was acquired
- The school district is not being substantially compensated by increases in revenues from federal activities from this property

****The school district must have the local tax assessor conduct an annual assessment of the federal property based upon the "highest & best use of adjacent property."**

***Section 8003 (b)—BASIC SUPPORT PAYMENTS (\$1,128,535,000 for FY'09 - NAFIS proposes \$1,175,535,000 for FY'10)**

-Payments that are made to school districts that educate at least 400 federal students who are in average daily attendance (ADA), or that have at least a 3% ADA of federal students.

***Section 8003 (b)(2)-HEAVILY IMPACTED DISTRICTS (Included in Basic Support)**

- District must have 40% student impact not counting civilian students whose parent(s) work on federal property or 50% if civilian students are counted
- Districts must make a “reasonable” tax effort (minimum 95% of the state average)
- District must have less revenue per student than the state average or if the district has less than 350 students has a per pupil expenditure less than the expenditure of a comparable school district or three comparable districts

***Section 8003 (d)—DISABILITY PAYMENTS (\$49,602,000 for FY'09 - NAFIS proposes \$52,000,000 for FY'10)**

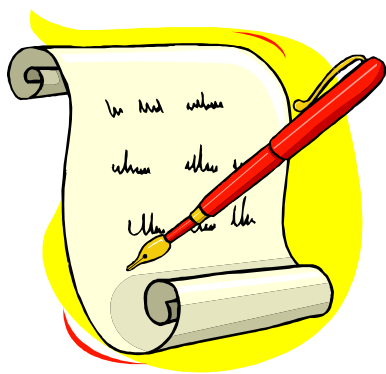
-Payments are made to school districts for the additional costs that disabled Military and Indian students incur. Any military or Indian Land child eligible to receive IDEA funds receives these dollars (must have a Individual Education Plan – IEP). The per unit payment is calculated by dividing the total appropriation for this section by the nationwide total of children with disabilities reported on surveys conducted by the impacted districts. (Number of children is based on their conversion into “weighted student disability units”)

***Section 8007—CONSTRUCTION (\$17,509,000 for FY'09 -- 8007 (b) grants only - NAFIS proposes \$45,000,000 for FY'10)**

- Payments for heavily impacted districts so the district may meet capital or construction needs of the federal students.
- Districts must have an enrollment of 50% or more Indian Land or Military children or be classified as a Heavily Impacted District under Section 8003(b)(2) to qualify for formula grants (Section 8007(a))
- Section 8007(b) discretionary grants carry a different set of criteria (See Construction Summary)

***Section 8008—FACILITIES (\$4,864,000 for FY'09 - NAFIS proposes \$8,000,000 for FY'10)**

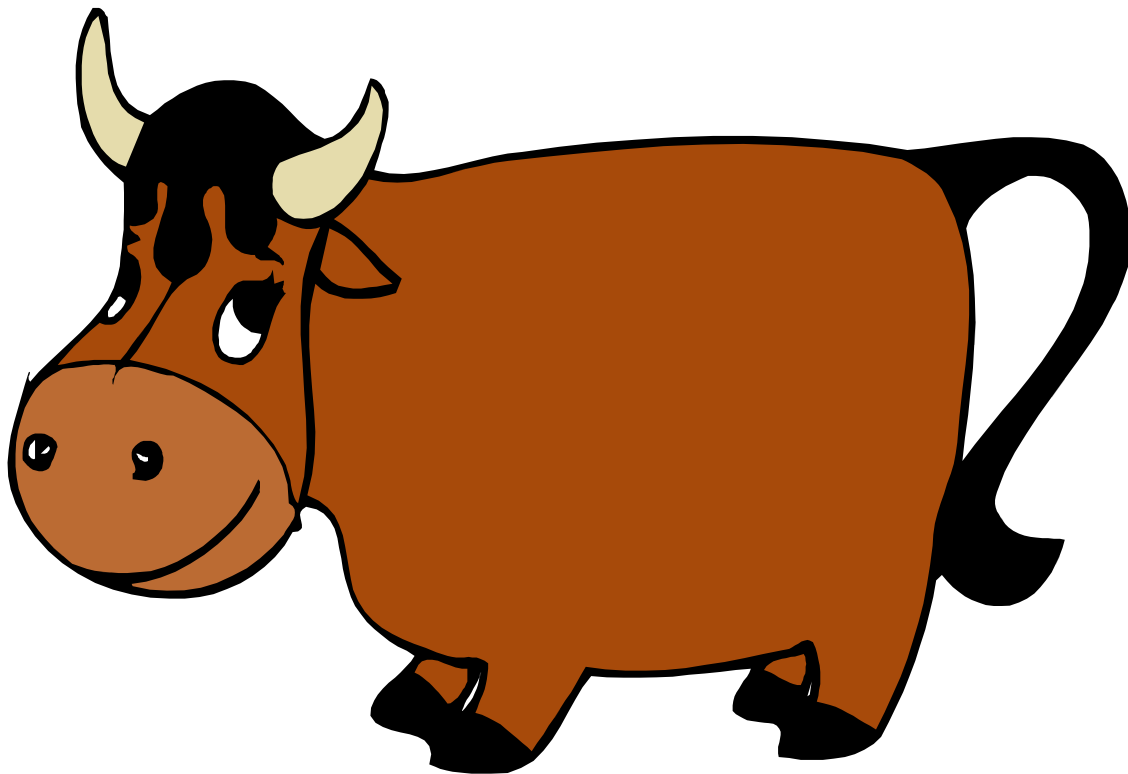
- Payments for upkeep and repair of school buildings owned by the Department of Education that are being used by local school districts.
- Approximately 50 buildings are currently owned by the US Department of Education.



What is the Initial Process for Receiving Impact Aid? - Basic Support Payments

- The school district has three options for determining their number of federal students.
- They can either:
 - conduct a student survey each year
 - conduct a source check
 - conduct both
- See examples in the Appendix

- The school district must then compile the results of the survey or source check
- The school must then fill out an Impact Aid application and return the original to the Department of Education and send a copy to their state's Department of Education
- The US Department of Education then checks the application and calculates payments based on the application data
- The US Department of Education then authorizes funds to be sent (wired) to the school district. Payments are made annually. After the initial payment for a fiscal year, an LEA may receive additional amounts for the same fiscal year as the Department completes the distribution of all available funds. As of June 2009, the Department finalized fiscal year 2006 payments for Section 8003 and are nearing completion for Section 8002.
- The funds are received by the school district, and the US Department of Education then audits the school's surveys – Generally a site review occurs every three years for districts with sizeable Impact Aid payments



Section 8003 Projected Basic Support Payments (\$1,105,535,000 Proposal FY'09)

How is Each Impact Aid Payment Calculated?

Basic Support payments are calculated from a formula that is derived from the basic premise of the program – that 50% of the cost of educating a child comes from (on average) state funding. It is the remaining 50% that has been impacted by the federal presence. The term used to compute the local loss as measured by per pupil expenditure is called the “Local Contribution Rate” or LCR.

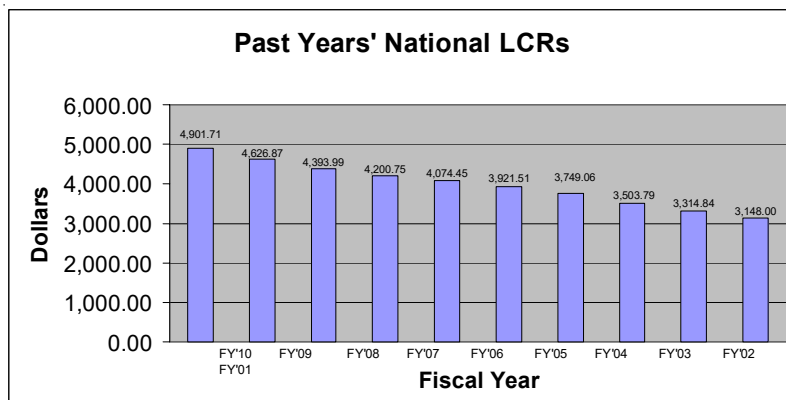
• Although there are 4 ways in which a school district can calculate the **Local Contribution Rate (LCR)**, since only the local portion, or 50% of a school district’s revenue is affected by federal activity, a majority of payments are based on:

- ☐ 50% of the state average per pupil cost or
- ☐ 50% of the national per pupil average cost
 - whichever is higher, or
- ☐ the average percentage of local revenue that makes up the average per pupil expenditure in the state if that calculates to be a higher LCR, or
- ☐ the use of comparable school district per pupil expenditures as defined in regulations

The data used to compute the LCR is based on data that is three years prior to the fiscal year for which the payments are to be calculated. Fiscal year 2010 (school year 2009-2010) payments will be based on data compiled for fiscal year 2007 (school year 2006 – 2007). The FY 2010 ½ the national average per pupil expenditure is \$4,898.00.

• Since per pupil expenditures change each year, the **LCR** will change each year as well, allowing payments to keep up with the increasing costs of education. Potential problem rests in the fact that if the appropriations for Basic Support payments don’t keep up with the percentage change in the LCR’s, payments to districts will fall behind widening the margin of the unmet need.

☐ Past year’s national LCR’s



FY10 + 5.94 over '09
FY 09 - +5.3% over '08
FY 08 - +4.6% over '07
FY 07 - +3.1% over '06
FY 06 - +3.9% over '05
FY 05 - +4.6% over '04
FY 04 - +7% over '03
FY 03 - +5.7% over '02
FY 02 - +5.3% over '01

• The district can use the higher of either the state or the national to figure their LCR.

• Federal students are given different weights to determine school district payment:

Indian land children = 1.25

Military on-base “a” children = 1.00

Civilian children whose parents live and work on base = 1.00 (Civ a)

Military “b” (off base) = .20

Low rent housing children = .10

Civilian “b” (off base) = .05

This is called their **Weighted Federal Student Unit**

• To determine a school district’s maximum payment, or **Basic Support Payment**, count the number of federal students in average daily attendance (ADA) and multiply them by their respective weights. You would then multiply the school district’s total weighted student count by whichever **LCR** that would give the school district the highest payment. The result is the **MAXIMUM Basic Support Payment**.

Example:

<u>Type of Student</u>	<u># Fed. Students</u> ADA	X	Weight	= Total Weighted Fed. <u>Students</u>
Indian Lands	100		1.25	125
Military “a”	100		1.00	100
Civilian “b”	100		.05	5
Mil. not living on base	100		.20	20
Low rent housing	100		.10	10
District Total	500			260

TOTAL WEIGHTED FEDERAL COUNT X LCR = MAXIMUM PAYMENT

260 X \$4,898.00 = \$1,273,480

Impact Aid Complications

• The Impact Aid funding calculations are complicated **ONLY** because the program is **not fully funded**. Currently, the Basic Support Program is funded at about 60% of need, leaving a 40% unmet need and therefore, a formula was needed (as determined by Congress) to be put in place to fairly distribute the available funds.

• Payments are reduced and distributed on a “needs based” formula, not simply prorated. The schools that are more dependent on the funds receive more than others that are not as financially dependent on the payment.

• The law uses an individual school district’s **“need”** and adjusts a school district’s Basic Support Payment based upon the individual need of the district.

**** “Need”** is computed by adding together the percentage of federal students and the percentage of the operating budget that the Basic Support Payment represents.**

• This calculation is called the **“Learning Opportunity Threshold”** most commonly referred to as **LOT**.

• To figure out a school’s LOT modifier (or need factor), add:
-the percentage of federal students compared to the total number of students; and
-the percentage that the Maximum Basic Support Payment is of the total current expenditures

(Operation and Maintenance Expenditures)

**This LOT modifier represents how dependent a school district is on Impact Aid funds—the higher the LOT modifier, the closer the LOT payment is to the Maximum Basic Support Payment.

- The higher the “need” or LOT percentage, the closer the Maximum Basic Support Payment and the LOT payment will be.

EXAMPLE:

LOT CALCULATION

	School District “1”	School District “2”
Total ADA	1,200	1,200
Total Fed. ADA	650	50
Type of Fed. ADA	Indian Land	Indian Land
Total Current Expen..	\$6,000,000	9,000,000
Per Pupil Expen.	\$4,500	\$7,000

Basic Support Payment Calculation

WFSU	812.5 (650 x 1.25)	62.5 (50 x 1.25)
LCR	\$4,898.00	\$4,898.00
Total Basic Support	\$3,979,625.00	\$306,125.00
% Fed. Students	54%	4.2%
BSP % Current Exp.	55%	2.8%
LOT MOD*	100%	7%
*LOT MOD is never higher than 100%		
LOT Payment (LOT% x BSP)	\$3,979,625.00	\$21,428.75

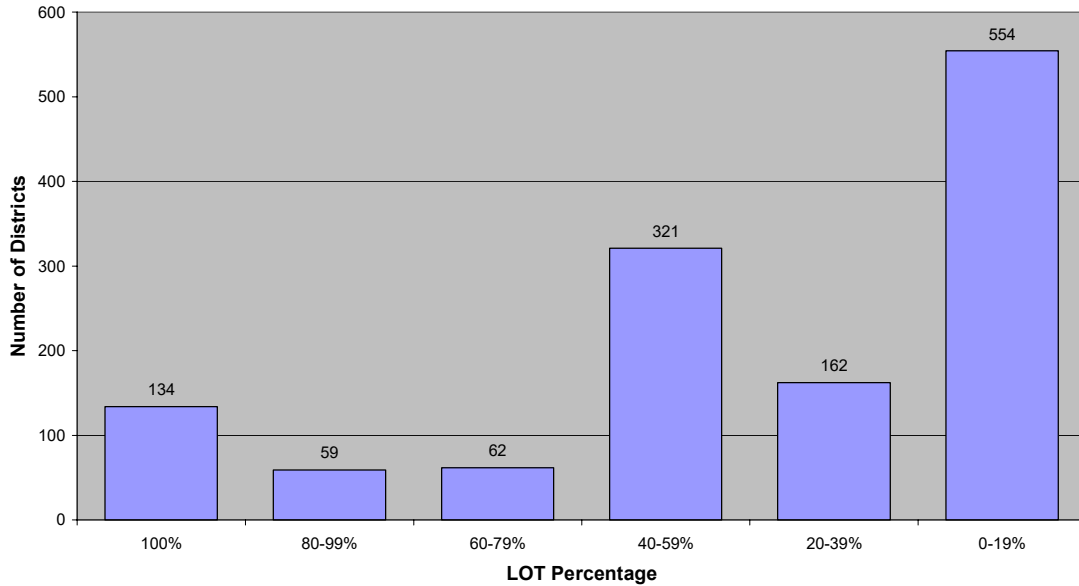
-District “1” has a dependency factor (or need) of 100% since 54% of its students are federal and 55% of its total budget is based on its Basic Support Payment. This is an example of one school district that receives 100% of its BSP.

-District “2” only has a dependency on Impact Aid of 7% because federal students make up only 4.2% of

Estimated # of FY'07 School District Payments by LOT

Percentage

Total 1,294



its ADA and the BSP makes up only 2.8% of its operating budget. In other words, the LOT payment is only 7% of its Basic Support Payment.

Impact Aid Districts and their "Need" Factors

- Under the current system, Impact Aid payments will vary according to the district's LCR and its LOT percentage. The higher a district's LCR and LOT percentage the greater their payment will be.
- When there is not enough money to give everyone their maximum payments, the LOT system funnels available Impact Aid funds to districts that have a greater "need" (or LOT).
- It is estimated that for FY 2009 all schools will eventually receive either 132% of their LOT calculation **OR** their Maximum Basic Support payment (whichever is lower).
(Will ultimately depend on the number students claimed and eligible on Table 9 – Base Housing Renovation)
- As the appropriations increase, the additional money "flows down" to the school districts with lower LOT factors.

Estimated Amount of Unmet Need By LOT Percentage Fiscal Year 2009

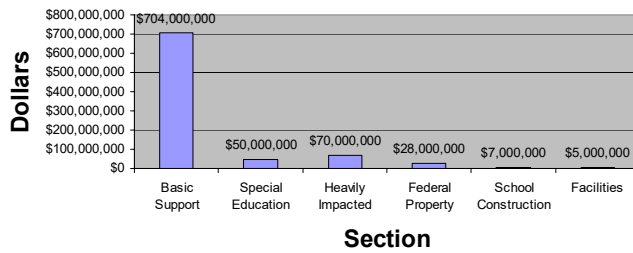
LOT Percentage

100%
80%
70%
60%
50%
40%
20%
10%
1%

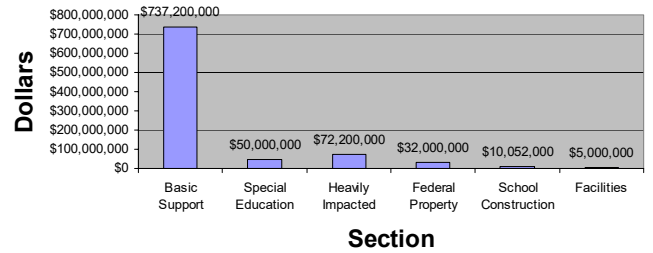
Percentage of Un-funded Need Subsidized by Local Taxpayers

0% (receiving maximum payment)
0% (receiving maximum payment)
8%
21%
34%
48%
74%
87%
99%

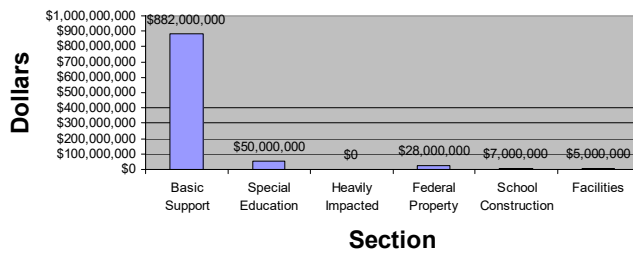
Impact Aid Funding 1999



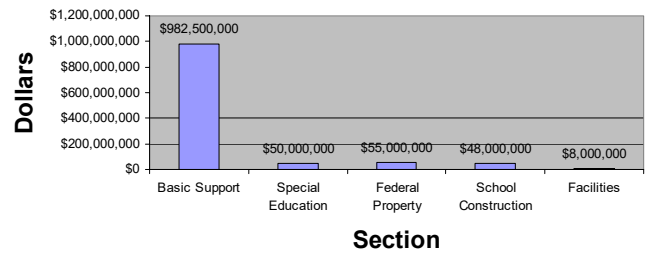
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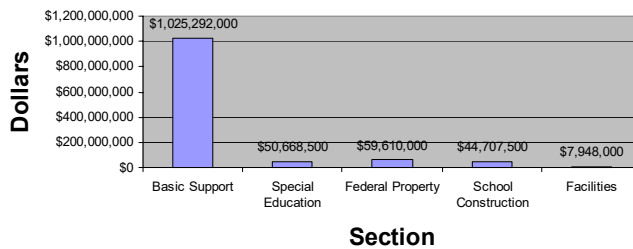
Impact Aid Funding 2001



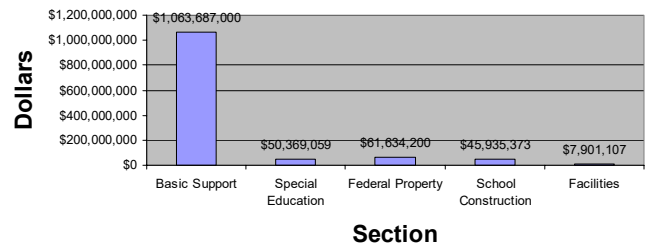
Impact Aid Funding 2002



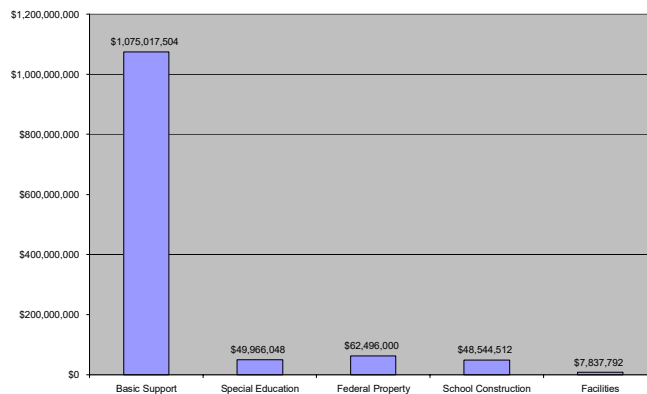
Impact Aid Funding 2003



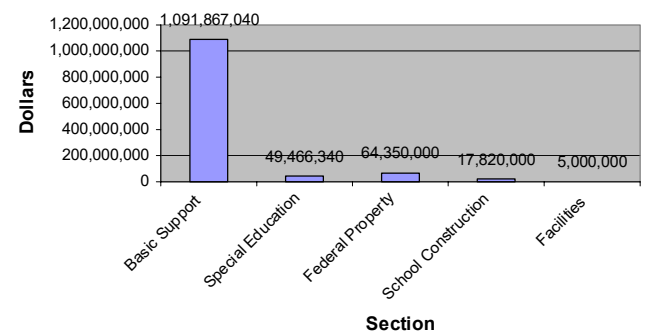
Impact Aid Funding 2004

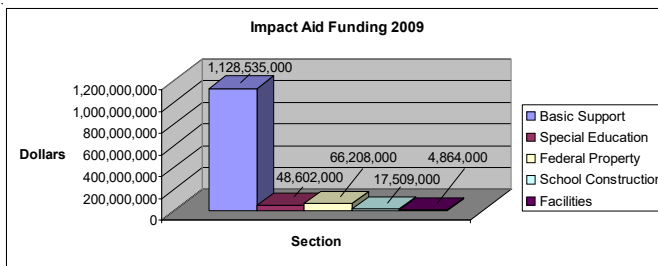
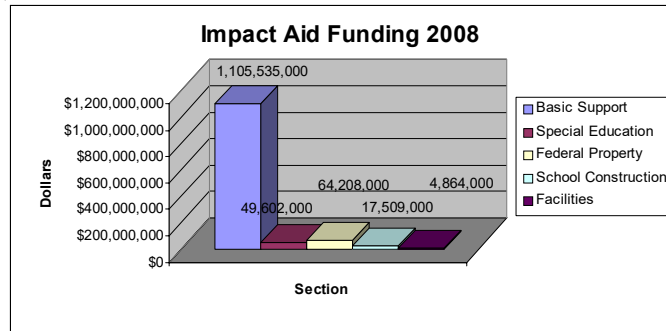
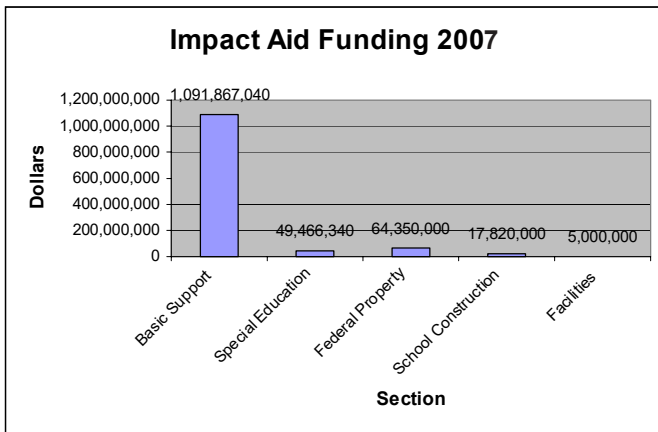


Impact Aid Funding 2005



Impact Aid Funding 2006





Section 8003 (d) - Students with Disabilities

(\$48,602,000 for FY'09 - NAFIS proposes \$52,000,000 in FY'10)

- Determine your 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 w/disabilities that do **not** reside on federal land
- Add up all the nation-wide Federal Disability Units from all school districts
- Determine the appropriation for 8003 (d) \$49,602,000 proposed in 2009
- Divide the appropriation by the nation-wide total to determine per unit payment
- Multiply your district's number of Federal Disability Units by the per pupil 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 Unites (50+15+20) *40 divided by 2

If the total 8003 (d) appropriation is \$49,602,000 and the nation-wide total of disability units is 46,647.91, then the per unit payment will be \$1,063.33 (\$49,602,000/46,647.91)

The district's 8003 (d) payment will be \$90,383.05 (85 DUs x \$1,063.33)

Section 8007 (a)-Construction Formula Grants

(\$0 Proposed FY'09)

- There are two different allocations of the 8007 appropriation money: 60% is used for competitive grants that schools apply for and the other 40% is used in formula payments to eligible school districts.
- Formula:
LEAs are eligible if they receive funds under 8003 (b) (Basic Support) and the LEA has at least one of the following:
 - at least 50% or more Indian Land students
 - at least 50% military students
 - received funds from 8003 (b)(2) (heavily impacted)
- Determine the total number of Indian Land and Military weighted students in all these eligible LEAs.
- Divide 50% of the total appropriation for 8007 Formula Construction by the total number of Indian Land WFSU and 50% of the 8007 appropriation Formula Construction by the number of Military WFSU in all 8007 eligible LEAs to determine the per weighted unit payment for each type of student.
- Multiply your 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, and thus they may be saved for a future project.

Example:

*An eligible school district for 8007 has a total of 250 students on Indian Trust Land, 80 Military students living on base, and 300 military off base students.

*This district has **312.5** Indian Land WFSU (250×1.25) and **230** Military WFSU ($80 + 150$) (300 divided by 2)

* The nation-wide total of 8007 eligible schools is 95,900 Indian Land WFSU and 46,700 Military WFSU.

* Assuming dollars would be allocated: With a \$17,820,000 million appropriation for formula payments, the per WFSU payment for Indian Lands is approximately \$92.91 ($\$8,910,060/95,900$) and the per WFSU payment for Military is \$190.79 ($\$8,910,060/46,700$).

* **The district's 8007 payment is \$72,916.08** ($312.5 \text{ Indian WFSU} \times \$92.91 = \$29,034.38 + (230 \text{ Military WFSU} \times \$190.79) = \$43,881.70$ **$[\$29,034.38 + \$43,881.70 = \$72,916.08]$**

8007(b) Discretionary Competitive Grants (\$17,509,000 in FY'09)

60% of the funds appropriated for Section 8007 are to be set aside for purposes of a competitive discretionary program.

- **Eligibility** – Any district that is at least 40% 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% of the school's total enrollment.

- **Additional Eligibility Requirements** – The local educational agency or the school, will be prioritized based on their ability to generate local funding (bonding/state funding) and if it has a school facility emergency as determined by the Secretary.

- **Funding Priority** – Those grants submitted, as “Emergency Requests” will be given the 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% of the cost of the project, nor can it be more than \$4,000,000 during any 4-year period. *(This requirement does not apply to a district that does not have the authority to tax or issue bonds – has no practical capacity to issue bonds)*

* NOTE: NAFIS proposes \$45,000,000 for Section 8007 in FY 2010: \$27 million for 8007(a) and \$18 million for 8007(b).



Section 8009-Equalization

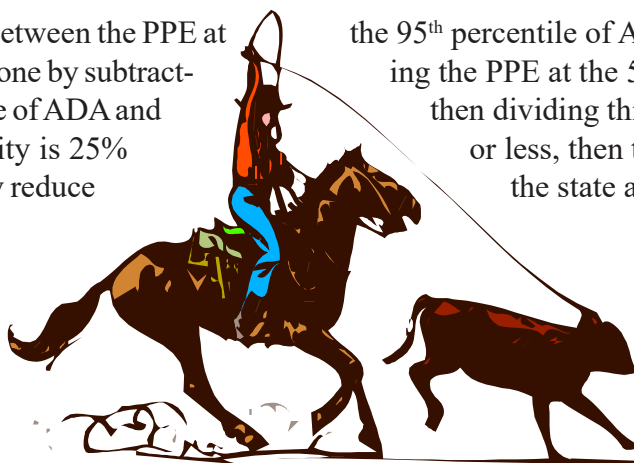
- In almost every case, states cannot reduce the amount of state aid a school district receives as a result of their Impact Aid payment. **Impact Aid is considered “outside” of a state’s school finance formula and a state must pretend that the school district does not receive Impact Aid funds.**
- In a few circumstances however, a state is allowed to reduce the amount of state aid sent to a school district simply because the district receives Impact Aid. In order for a state to be allowed to do this, the state must be certified as “Equalized” by the US Department of Education.
- To be considered “equalized”, a state must show that for 90% of the students in the state, the amount of money spent per student does not vary by more than 25%
- The per pupil expenditure of the school at the 95th percentile of ADA (size) is compared to the per pupil expenditure at the 5th percentile of ADA. If this disparity is greater than 25%, then the state is not allowed to deduct state aid to Impact Aid schools because they receive Impact Aid.
- If the disparity is 25% 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 that are covered under a state’s equalization program. The disparity percentage goal was scheduled to drop from 25% to 20% in FY '98, but recent changes in the law deleted the 20% requirement and kept the disparity percentage at 25%.
- **States are prohibited from implementing deducts until they have been certified to do so by the Department of Education.** If a state does so without certification, then the schools may apply for relief in federal court. Another provision requires that all states currently certified as equalized must qualify under the new standards in order to keep their certification. This means no “grandfather clauses” for the states that were deducting funds from Impact Aid schools up to FY '95.

Example:

Five mythical states each have the same state average per pupil expenditure (PPE) and the top 5% of the students in each state have an \$8,000 per pupil expenditure. The poorest 5% of the students in each state have only \$2,000 spent on each of them. The only difference in these states is the amount spent on the 95th percentile of students and the amount spent on the 5th percentile.

The disparity is computed between the PPE at the 95th percentile of ADA. This is done by subtracting the PPE of the 95th percentile of ADA and the 5th percentile. If this disparity is 25% or less, then the state may reduce state aid that Impact Aid schools receive.

the 95th percentile of ADA and the PPE at the 5th percentile of ADA from the PPE at the 95th percentile of ADA then dividing this figure by the PPE of the 5th percentile or less, then the state is considered equalized.



"Equalization Examples"

Equalization Example

	<u>State A</u>	<u>State B</u>	<u>State C</u>	<u>State D</u>	<u>State E</u>
State Avg. PPE	\$5000	\$5000	\$5000	\$5000	\$5000
PPE of the LEAs w/highest PPE and 5% of state ADA	\$8000	\$8000	\$8000	\$8000	\$8000
PPE of 95 th	\$6000	\$5500	\$5400	\$5500	\$5200
PPE of 5 th	\$4000	\$4200	\$4300	\$4500	\$4800
PPE of LEAs w/lowest PPE and 5% of state ADA	\$2000	\$2000	\$2000	\$2000	\$2000
95 th %tile to 5 th %tile disparity	50%	30.9%	25.5%	22.2%	8.33%
Equalized	NO	NO	NO	YES	YES
% Equalized	—	—	—	77.8%	91.7%

*In states A, B, and C, the disparity standard was higher than 25%, and thus the state may not reduce state aid to Impact Aid schools due to these schools receiving Impact Aid. In states D and E, the disparity standard is less than 25%, so the states may reduce the amount of state aid to Impact Aid schools within these states.

**The only 3 states that are currently equalized are New Mexico, Alaska, and Kansas.

The NAFIS reauthorization proposal would require a state to be spending at the national average per pupil expenditure to qualify as an equalized state under this section.



Section 8010-Program Administration

- * Provides the Secretary with authority when administering each provision of the program to round all payments to the nearest whole dollar amount
- * All agencies on federally owned land must 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 due to factors unique to the situation attending school in an adjacent state is more practical.

Section 8011-Administrative Hearings/Judicial Review

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

Section 8012-Forgiveness of Overpayments

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

Section 8013-Definitions

- This part of the law defines commonly used terms in other parts of the law. Some of these include:
 - Armed Forces:** the Army, Navy, Air Force, Marine Corps
 - Average Per-Pupil Expenditure:** the aggregate current expenditures of all local educational agencies in the State; divided by the total number of children in average daily attendance for whom such agencies provided free public education.
- Other definitions include **construction, current expenditures, federal property, local contribution percentage, local educational agency, low-rent housing, modernization, revenue derived from local sources, and school facilities.**

Section 8014-Authorized Appropriations

- These include:
 - Payments for federal acquisition of real property – such sums through FY 2009
 - Basic payments; payments for heavily impacted school districts – such sums

through FY 2009

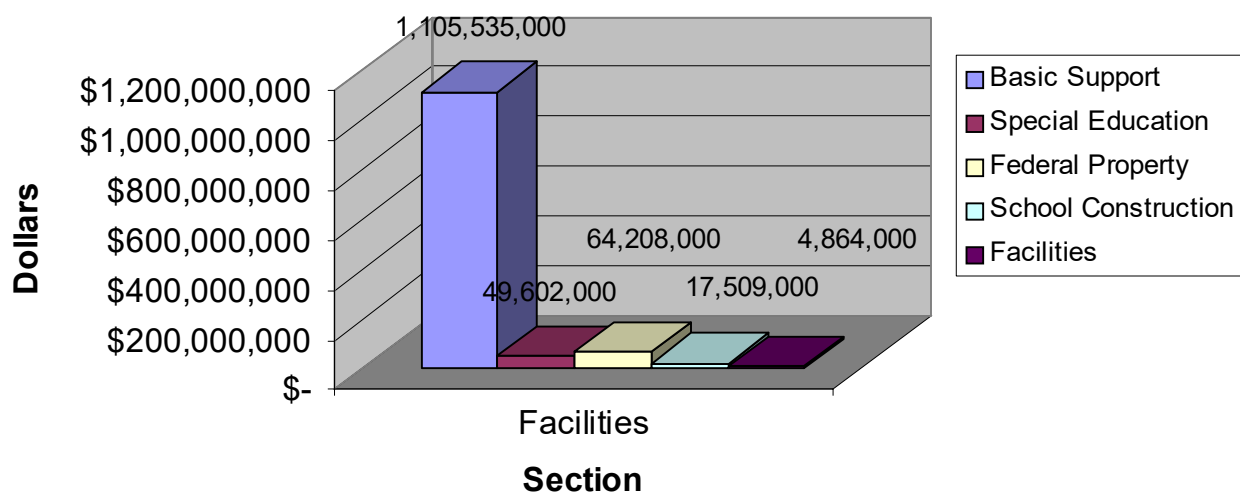
-Payments for children with disabilities – such sums through 2009

-Construction – such sums through FY 2009

-Facilities Maintenance – such sums through 2009

** such sums means that there is no limit as to how much the Appropriation Committee can at their discretion fund each provision of the Impact Aid Program. They would have the authority to fully fund each provision*

Impact Aid Funding NAFIS 2009 Proposal Total Funding: 1,240,718,000



Section 8004-Policies and Procedures for Children Living on Indian Lands

• The Impact Aid law requires school districts that receive funds for children that live on Indian Lands to have Indian Policies and Procedures (IPPs) in place to ensure these 5 things:

- 1) Indian Lands children are allowed to participate in programs on an equal basis as non-Indian Lands children
- 2) Parents of Indian Lands children and the tribes have the opportunity to present their views on school district programs and to make recommendations on the school's program
- 3) Parents of Indian Lands children and Tribes are consulted and involved in planning the school program
- 4) Plans, evaluations, and applications of these programs are disseminated to the parents and Tribes
- 5) Parents and Tribes have an opportunity to present their views on the job that the local school is doing.

****If requested, the Department of Education is required to provide technical assistance as to how to develop and implement these policies.**

• The Department has eight criterions that it uses to evaluate the IPP's in place in the different school districts:

- 1) Specify how the Tribes and parents can communicate to ensure an equal opportunity to participate
- 2) Describe how an LEA will assess the extent of equal opportunity
- 3) Outline how the LEA will make changes to allow equal participation
- 4) State how the LEA will send information out to the Tribe and parents. Information will include the IA application, the evaluation of programs funded with IA, and any plans for programs that may be starting or ending
- 5) Show how the Tribe or parents can present their views
- 6) Describe how the LEA will involve the Tribe and parents in developing programs
- 7) Describe how the LEA gives the Tribe and parents an opportunity to make recommendations and opinions about the LEA and its operations and programs
- 8) Specify a time and method to review the IPPs annually, including a review of input from the Tribe and parents, and the LEAs response to the input.

• If a Tribe or designee feels that the school district is not following these requirements then the Tribe or designee may file a complaint with the Department of Education. The Department will then conduct a hearing on the complaint, and all parties may present evidence and recommendations for corrective

action. The Department will then issue a decision as to what remedial action (if any) needs to be taken by the school.

- If the school rejects the Department's recommendation, then all Section 8003 funds may be withheld from the school district the following year, but this would happen only in extreme cases. If this does occur, then the tribe may request that the BIA provide services for the children. However, children may choose to stay with the school and not go to the BIA school. These children may then be counted for Impact Aid again by the school district.

- This entire process, however, including the requirement for local policies and annual activities, is **not required** if the tribe sends a written statement to the local school. This statement would need to say that the school does not need to comply with these requirements because the Tribe is satisfied with the educational services provided by the school to the Indian Lands children.

Example of an LPP that would be acceptable to the DoED:

A. Indian Parent and Tribal Officials Opportunity for Input

1. School Board of Director meetings are open to the public. All public and/or special Board meetings are advertised in local papers and through posting of notices a minimum of 48 hours prior to the meeting. Tribal officials and parent committee members will be mailed Board agendas prior to Board meetings.

Regular meetings are held the second and fourth Wednesdays of each month. Summaries of action taken by the board are published in local papers with complete copies of proceedings available in the district Superintendent's office.

2. Any parent of an Indian student, organization, tribal official or other person may request to be heard by the Board on the following issues:
 - a. equal participation of Indian students in educational programs;
 - b. program evaluations, program plans and the Impact Aid application;
 - c. education programs;
 - d. needs of Indian children;
 - e. ways to assist Indian children;
 - f. such other concerns which directly affect the education of Indian children.
3. A request to be heard must be made by the Wednesday prior to the regularly scheduled meeting. In cases where the request was not possible, the parent, organization, tribal official, or other persons may comment on all agenda items or be heard individually on points a-f above during the regularly scheduled "Items from the Audience" portion of the board meeting.

B. Opportunity for Equal Participation

1. The District will present the Education Committee of the Nafis Indian Nation with a copy of its basic education program for review and comment. This report shall be the State Basic Education compliance report, form M-808 and shall be presented to the Committee on or before December 15 annually. Said document shall also be available for review by district parents on request.

2. The Board shall require the Assistant Superintendent to conduct an annual Indian Students Needs Survey and report the results of that survey to the Board on or before the second June Board meeting of each year.
3. When the Board finds that Indian children are not able to participate in basic education programs on an equal basis, it shall implement the following steps:
 - a) form a task force of individuals of not less than five (5) members composed of Indian parents, school personnel, tribal official(s) and other interested parents;
 - b) outline the problem area to be studied;
 - c) set a timeline to receive recommendations from the taskforce;
 - d) hear recommendations during a public Board
 - e) direct the school administration to implement solutions which will allow equal participation either at the beginning of the next semester or next school year whichever is earliest; require follow up documentation from district administration that opportunity for equal participation has been achieved.

C. Dissemination of Materials to Tribal Officials and Indian Parents

1. A copy of the district's Impact Aid application and a summary page will be Mailed to all Capitol School District households and Nafis Tribal Officials in January of each year. The copy will be mailed a minimum of the (10) working days prior to Board review/hearing date. Included in the packet shall be a notice of the review/hearing date.
2. The district will distribute, (mail), annually in September, to each district household and tribal official a school calendar. The calendar includes a synopsis, evaluation, and overview of all programs assisted with Impact Aid funds as well as a review of a special categorical funds program.
3. The district publishes a monthly newsletter containing basic information regarding school activities and programs. Basic information includes reviews of standardized test scores, special programs, reports on new programs or those slated for deletion. In addition, dates of Board meeting are published to allow for comment concerning programs.
4. Parents have access and are invited to participate on advisory committees which deal with program development or deletion.
5. Board meetings are open for public comment on all aspects of the district program. Newsletters are mailed to all district households and Tribal Education Committee Members.
6. The schools of the district will schedule open house programs for parents to provide opportunities for parents to discuss school matters with district personnel.

D. Input on Impact Aid Application

1. The Board will include a review/hearing of the district's Impact Aid application at a regularly

scheduled or special meeting in January of each year. Notice of such hearing will be given as follows:

- a) through local, district, and tribal newspaper;
 - b) by published announcement posted in conspicuous public places and tribal offices;
 - c) by mailed invitation to parents of Indian children and tribal officials
2. A minimum of ten (10) working days prior to board review/hearing of the district's Impact Aid application, each parent of an Indian child and tribal officials will receive a copy of the application, notice of review/hearing, invitation to attend and a synopsis of potential financial impact to the district.

E. Consultation and Involvement

1. In addition to steps outlined in Section A., 1, 2, and 3 and Section B., 1, 2, and 3, the District will provide further opportunities for consultation and involvement by utilizing several parent advisory committees.
2. Advisory committees include those designated to meet specific legal mandates Such as Title I, Vocational Education, and Migrant Education. These committees meet on a regularly scheduled basis according to parent determination.
3. Other advisory committees include self study, curriculum development, and such committees as needed to meet Board directed educational goals. Parents of Indian children and tribal officials receive notice, invitations, and are actively recruited to participate on these advisory committees. Advisory committees report to the Board during regularly scheduled meetings. Reported findings are finding to support current programs or suggestions for changes or improvements. These reports are part of the board agenda and are advertised accordingly.

F. Opportunity to Make Recommendations

1. All Board of Directors meetings are open to the public and allow for input regarding all aspects of the district's program. Parents of Indian children or tribal officials may address the Board at any of these meetings concerning needs of Indian students as outlined in Section A.
2. Specifically the Board will request input regarding Indian students at a Minimum of three (3) meetings per year. These meetings are to coincide with public review/hearing of the Impact Aid, Title IX, and Johnson O'Malley grant application. Tentatively these meetings will be in December, January, and May of each school year.
3. Notice of these meetings and request for input shall be through published notice in the local newspapers, written invitation to Indian parents and tribal officials, and notice during parent advisory meetings.
4. A public budget hearing will be held annually on or before August 30 of each year. Parents of Indian children or tribal officials shall be given opportunity for input into the budget.

G. Assessments of Effectiveness of IPP's and Indian Input

1. The Capitol Indian Parent Education Committee meets on a regular monthly Basis. Meetings include a review of LEA policies, procedures, and educational programs.
2. Also, the Capitol Indian Parent Education Committee, along with the tribal official representation, shall annually review District activities that give Indian parents and tribal officials opportunities for input into the district's educational programs. This review will include documentation of activities specified in the IPPs and the IPPs themselves. Based on that review the Parent Committee and tribal officials may make recommendations to Board for changes to the IPPs as needed to further ensure opportunity for input.
3. The Board will hear the report from this review annually during a regularly scheduled or a special public meeting in August. Changes to IPPs will be forwarded to appropriate agencies for approval and implemented after approval has been received.
4. District IPPs shall be distributed to all households within the district ten (10) working days prior to the Board meeting.



What Is Table 9 and Table 11?

First added to the Impact Aid law in 1996, the program was originally designed to provide funding stability to school districts faced with on-base housing renovation initiated by the Department of Defense (Table 9). The 2001 reauthorization extended this to also include housing renovation initiated by a federal agency, i.e. BIA, HUD that impacted Indian land school districts.

In both cases if a housing project is initiated prior to a district's count date, those students (housing units) removed from federal property would initially be counted as off-base/off-Indian land children. Such housing renovation would have to be certified by a federal official that the renovation has been initiated by the applicable federal agency. Following a certification of such, the Department of Education would then transfer those students (housing units) from off-base to on-base for purposes of the district's Impact Aid payment. Those housing units identified for renovation cannot be considered as eligible for Table 9 or Table 11 for more than 3 years.

Although the intent of this provision is to insure funding stability for districts impacted by the renovation of federal (on-base DoD/BIA/HUD housing), it has also created a problem for the Department of Education in verifying those students listed on a Table 9 or Table 11 Impact Aid application. This has resulted in the delay of Impact Aid Section 8003 payments to all school districts as a final payment spread cannot occur until all students have been verified for those districts applying.



Impact Aid: Title VIII Self Quiz



Section I: TRUE-FALSE

- _____ 1. The original Impact Aid law (P.L. 81-874) was passed due to the presence of Indian students attending public schools.
- _____ 2. Impact Aid provides funds to school districts for general operating expenses.
- _____ 3. School districts that want to receive Impact Aid payments must file an application for these funds each year.
- _____ 4. School districts that receive Section 8002 funds receive these funds based upon the number and type of the federal students attending the schools.
- _____ 5. Section 8003 (b) funds are distributed to school districts that have at least 400 federal children in average daily attendance (ADA) or at least 3% of the ADA is comprised of federal children.
- _____ 6. Under Section 8003 (b), federal students are assigned weights that reflect the degree of impaction these students have on the local schools as determined by Congress.
- _____ 7. The highest weight is 1.0, and is for students residing on Indian lands and for students whose parents are in the military and reside on federal land.
- _____ 8. Students whose parents are in the military, but reside off of federal land and students who reside in Low Rent Housing Projects have a weight of 0.1.
- _____ 9. All students who live off of federal land but their parents are civilians who work on federal land were eliminated from the program in the 1994 reauthorization.
- _____ 10. Average Daily Attendance is defined as the actual membership of students in the school district.
- _____ 11. The maximum payment under 8003 (b) is calculated by determining the number of weighted student units for each category of eligible children enrolled in the district followed by totaling such units and multiplying the total by the Local Contribution Rate.
- _____ 12. The figure determined by the calculation under 8003 (b) is the amount sent to each school district each year.

_____ 13. The law provides for four methods that can be used to determine the Local Contribution Rate.

_____ 14. Depending upon state law, Impact Aid funds may be used for capital improvement or construction.

_____ 15. The old construction provision of Impact Aid (P.L. 81-815) was eliminated in 1994, and there is now no provision for the construction of facilities in the Impact Aid program.

_____ 16. Some federal students with disabilities may qualify for additional Impact Aid funds under the law.

_____ 17. For the purpose of calculating a district's disability payment an Indian Land and on-base military student are given a weight of 1.0 and an off base military of .50.

_____ 18. School districts that claim students residing on Indian Lands must have Indian Policies and Procedures in place, which gives the tribes veto power over how the Impact Aid funds are used.

_____ 19. The student weight for students residing on Indian Lands is higher than the weights for military or LRH students.

_____ 20. Non-Indian students residing on Indian Land can generate Impact Aid funds for the school district, but at lower weights than Indian students.

_____ 21. If there are not enough funds to pay all the Basic Support Payments, all schools receive a payment based upon an equal ratable reduction.

_____ 22. The two factors used to determine a school district's need for Basic Support Payments are: 1) the percentage of federal students of the ADA and; 2) the percentage of the general operating expenditures that the maximum payment represents.

_____ 23. Impact Aid funds are distributed to schools on the basis of prior year student counts.

_____ 24. Impact Aid funds are sent to school districts by electronic wire from the Department of Treasury to the school district's bank.

_____ 25. Districts with 40% or more of their ADA comprised of federal students and whose tax rates for M & O are at least 95% of their state or comparable average can receive additional Impact Aid funds for being heavily impacted.

_____ 26. School districts that qualify for 8002 payments, base their payment calculations on the value of the land when it was taken off the tax roles by the federal government.

_____ 27. For Basic Support Payments (8003 (b)), students who reside off of federal property and whose parents are civilians employed on federal property may be counted if these students number at least 1,000 ADA and/or these students represent at least 10 % of the total ADA of the school district.

_____ 28. When funds are insufficient to fully fund all districts, districts that have a large percentage of federal students and their maximum payment calculation represents a large percentage of their budget receive more of their Impact Aid than districts with smaller degrees of federal impaction.

_____ 29. The LOT modifier is the degree of “need”, as defined by Congress, that a school district has for Impact Aid funds, with the highest “need” at 100%.

_____ 30. Nationwide, it is estimated that about 1,400 school districts will continue to qualify for Impact Aid (both Section 8003 and Section 8002)

_____ 31. The Learning Opportunity Threshold (LOT) Formula is the maximum payment formula by which the payments of all Sec. 8003 districts are calculated.

_____ 32. The LOT formula is the only formula by which Sec. 8003 payments are allocated.

_____ 33. All Impact Aid applications must be approved by the State Departments of Education before any payments may be sent to school districts.

_____ 34. States are not allowed to reduce state aid to an Impact Aid school because the school receives Impact Aid unless the state has been approved to do so by the US Department of Education, as provided for in Sec. 8009 of the Impact Aid law.

_____ 35. Impact Aid payments are first sent to the State Education Agency, and the SEA distributes the funds to eligible LEAs within the state.

Section II: MATCHING

_____ 36. Section 8002 a. provides for additional assistance to heavily

37. Section 8003 (b) impacted schools.

_____ 38. Section 8003 (d) b. allows states to reduce state
27 aid to Impact Aid schools.

- _____ 39. Section 8003 (b)(2)
- _____ 40. Section 8007 (b)
- _____ 41. Section 8007 (a)
- _____ 42. Section 8009
- _____ 43. Section 8003 (a)
- c. provides for payments for property taken off the rolls by the federal government
 - d. provides for additional funds for certain disabled federal students.
 - e. defines federal students and weights.
 - f. provides for a competitive discretionary construction program.
 - g. provides Basic Support Payments for federal students.
 - h. provides for construction (formula) funds for some federally impacted schools.

Section III: FILL IN THE BLANK

- _____ 44. The weight of a military off-post student.
- _____ 45. The weight for an Indian student residing on Indian Lands.
- _____ 46. The weight for a military student residing in a federal LRH project.
- _____ 47. The weight for a non-Indian student residing on Indian land.
- _____ 48. The weight of a student who resides in a federal LRH project, but whose parents are unemployed.
- _____ 49. The weight of a student who lives on military property and the parents are in the military.
- _____ 50. The weight of eligible students who live off of federal property and their parents are civilians employed on federal property.

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42. B
43. E
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45. 1.25
46. 1.0
47. 1.25
48. .10
49. 1.0
50. .05



APPENDIX

- I. Impact Aid Program Survey Form
- II. Impact Aid Program Source Check Form
- III. Department of Education Impact Aid Program Staff Listing





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