

*Getting to Know*  
*IMPACT AID*

**National Association of Federally  
Impacted Schools**

**October 1, 2011**

# ***WHAT IS FEDERAL IMPACTION?***

- ✓ Military Base
- ✓ Indian Trust or Treaty Land
- ✓ Federal Low Rent Housing Project
- ✓ Civil Service (Government) Activities
  - VA Hospitals
  - Federal Prisons
  - Federal Parks
  - Federal Office Buildings
- ✓ Soldiers and Sailors Relief Act
  - Exemption from state/local taxes

# ***WHAT IS THE EFFECT OF FEDERAL IMPACTION ON LOCAL SCHOOLS?***

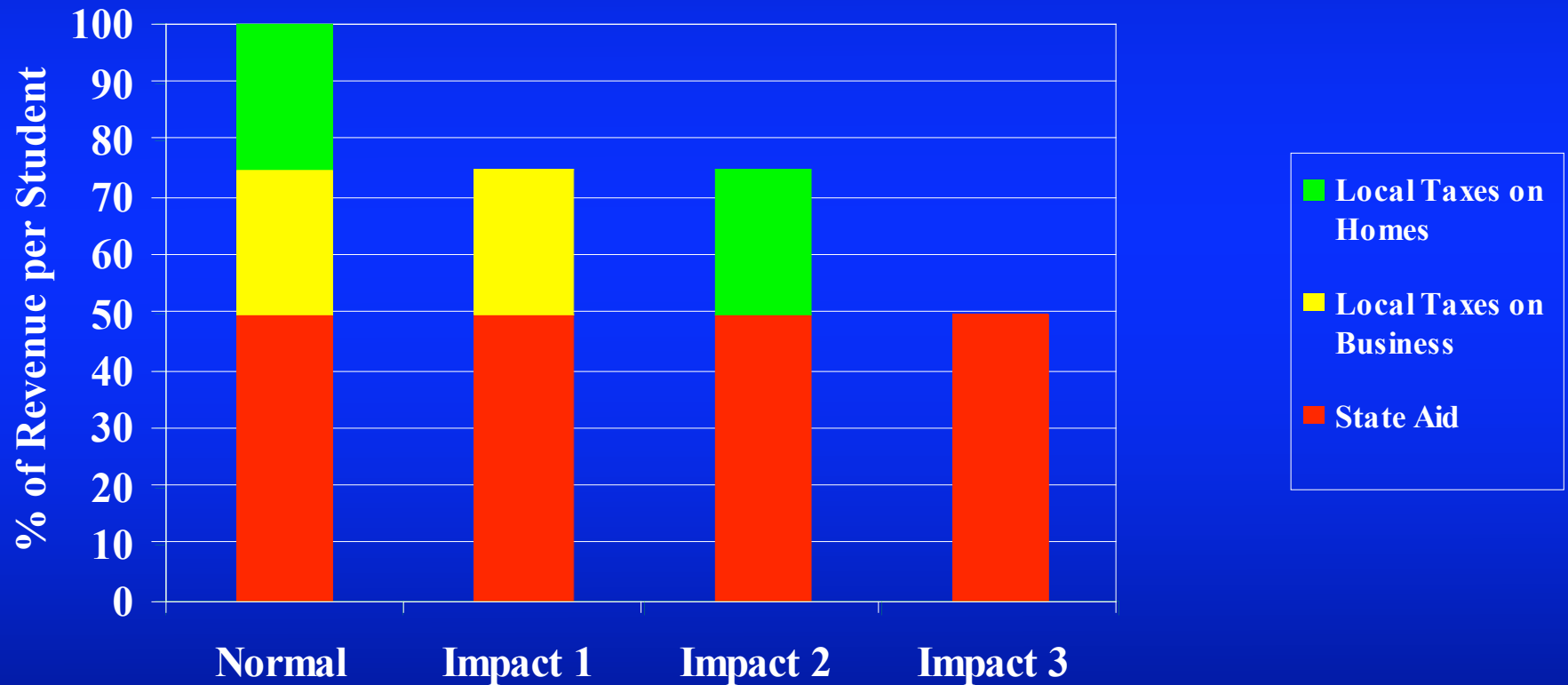
- ✓ Non-local students brought into the area; and
- ✓ Due to Non-taxable status of federal land, the ability of the school to raise revenue is reduced
  - ❖ Federal ownership of homes
  - ❖ Federal ownership of places of work
  - ❖ Indian Trust and Treaty lands
- ✓ Due to Soldiers and Sailors Relief Act, military personnel may be exempted from vehicle/personal property taxes

# Generally, schools have three sources of revenue:

- 1) State Aid amounts to about 50% of revenue
- 2) Taxes on local business/industries amount to about 25% of revenue
- 3) Taxes on local homes and vehicles amount to about 25% of revenue

Federal Activities IMPACT two of these three sources

# *A Federal Financial Impact?*



# *WHAT IS IMPACT AID?*

*To make up for this negative federal impact,*

- In 1950, Congress passed Impact Aid
  - ✓ PL 81-874 (operations)
  - ✓ PL 81-815 (facilities)
- Impact Aid is the ORIGINAL Federal Education Program
  - ✓ Title I, IDEA, etc. were all amendments to the Impact Aid law
  - ✓ Impact Aid was the vehicle to get the ESEA put into law
- Major changes in the 1994 Reauthorization
- Last reauthorization 2002; now referred to as Title VIII of PL 107-110

# *Impact Aid is a **UNIQUE** Federal Education Program*

- Impact Aid goes straight to the LEAs, no state rake-off
- Impact Aid is SUPPLANT, not supplement
- By Federal law, states can NOT consider IA when calculating the amount of state aid
- Exception: EQUALIZATION!!!!!!!  
(more later on this)

# *Impact Aid has always been flexible with local control*

- ❖ IA is one of the ONLY federal education programs that sends funds directly to the school district, thus there are few strings and little bureaucracy
  - ✓ The funds are used for the benefit of all students in the district
  - ✓ There is no “rake off” by the states to fund bureaucrats
- ❖ Most Impact Aid goes into the General Fund
  - ✓ May be used as the local school decides
  - ✓ May be used for any legal purpose under state law
  - ✓ SUPPLANT, SUPPLANT, SUPPLANT

# ***REVIEW***

**Impact Aid is the “umbrella program” that provides financial assistance to schools that are impacted by federal activities.**

**These federal activities include:**

- ❖ Federal ownership of land (removing it from the tax rolls);  
and/or
- ❖ Bringing additional students into the area that the school is required to educate

**DO MORE WITH LESS**

# *Impact Aid Has Five Different “Pots of Money”*

## ❖ § 8002- FEDERAL PROPERTY

payments to LEAs with a large percentage of federal property

## ❖ § 8003 (b)- BASIC SUPPORT

payments for federal students

## ❖ § 8003 (d)- DISABILITY

payments for federal students who have disabilities (SPED)

## ❖ § 8007- CONSTRUCTION

payments to heavily impacted LEAs for capital/construction needs

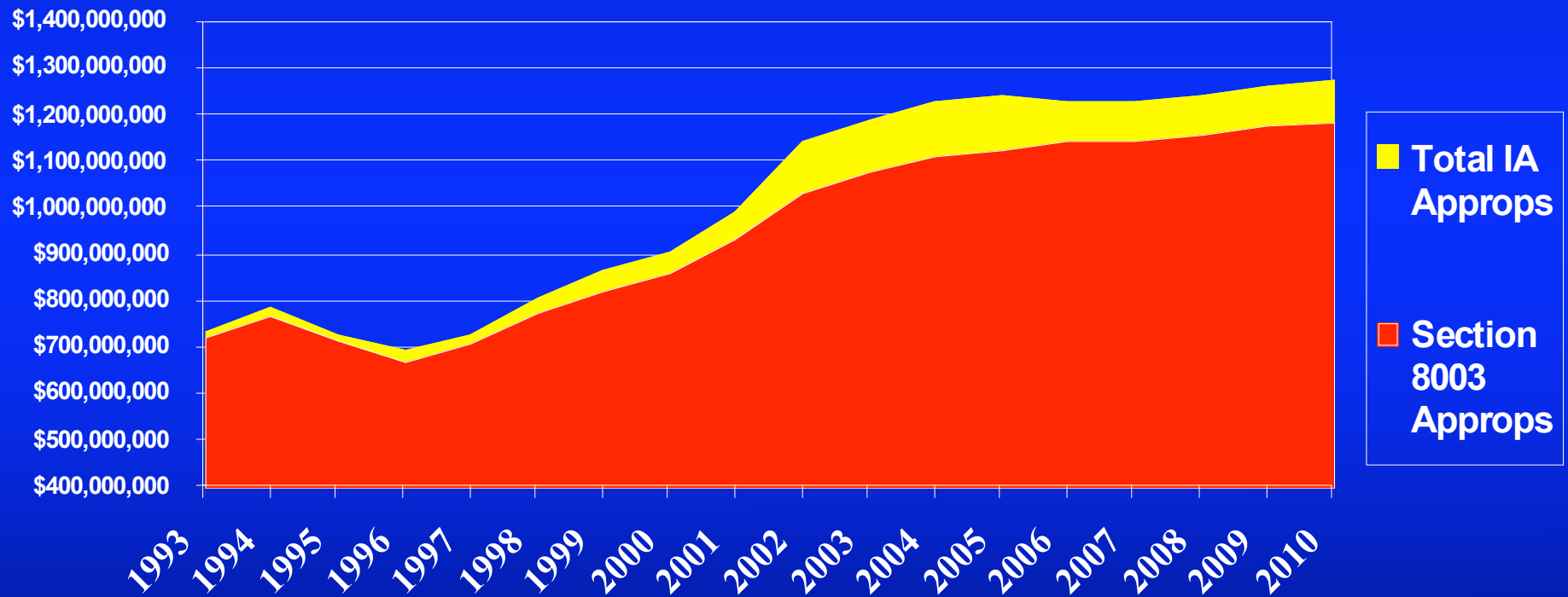
## ❖ § 8008- DoED FACILITIES

payments to LEAs to maintain facilities owned by DoED

*Impact Aid is one of the largest federal education programs.*

In FY 2011, the total appropriation for Impact Aid is  
\$1,273,630,634

# *Most of the Impact Aid Appropriations are in § 8003*



## *§ 8002 pays for LAND*

- Acquired by federal government since 1938; and
- Not acquired by exchange for other federal property; and
- Assessed valuation of property is at least 10% of the total district valuation *when the property was acquired*; and
- The school is not receiving substantial increases in revenues from federal activities on the property.

## *§ 8002 pays for LAND*

- Local assessor determines the “highest and best use” of adjacent non-federal property and uses this to “value” the federal property
- School district’s tax rate multiplied by the estimated valuation of the federal property to determine maximum payment
- Insufficient appropriations to pay for maximum payment, so “waive payments” are used to prorate the payments to the need.

# *§ 8003 pays for STUDENTS*

## *Who are the federal students?*

- Military
- Indian Trust and Treaty Lands
- Civil Service employees
- Low Rent Housing Students
- Others who work on federal land

A district may have only one type of federal student or they may have all types.

# *Challenges and Changes in Impact Aid*

- ❖ Impact Aid has not received sufficient appropriations (not enough money)
- ❖ Impact Aid is the ONLY major federal education program that is NOT “forward funded” (delayed payments, difficulty budgeting and accounting for)
- ❖ Impact Aid has seen massive demographic changes in the last 15 years due to BRAC, Iraq, other deployments, NCLB AYP requirements, and even welfare reform (fewer federal students)

***HOW MANY FEDERAL KIDS ARE  
WE TALKING ABOUT NOW?***

***About 961,267 Nationwide***

# *The Application*

- Required to be filed **EVERY YEAR**
- Info from survey put into the application
- Used to determine **NEXT** year's money
- Due to DoED and SEA by Jan 31 (normally)
- 1 copy to DoED electronically; 1 copy to SEA
- If late (up to 60 days), then 10% penalty to LEA
- If more than 60 days late, then **NO MONEY!!!**
- Signatures by Board Authorized Representative

# ***TABLES 9 & 11***

## ***HOUSING RENOVATION***

- Allows students that do not live on federal property to be counted as if they lived on federal property if the federal property is undergoing renovation
- Applies to Indian Lands and Military
- Renovation must be due to FEDERAL decision
- Limit on number of students..must still be served by the LEA
- Can be a LARGE FINANCIAL IMPACT!!!!

# *The Process to Get Money*

Student Survey results from Fall, 2010 put onto

Application sent to DoED in Jan, 2011

and this Determines Dollars for 2011-2012  
school year

**APPLICATION IS IMPORTANT**

# *APPLICATION TO DOLLARS*

## *THE FORMULA*

### *§ 8003 (b) BASIC SUPPORT*

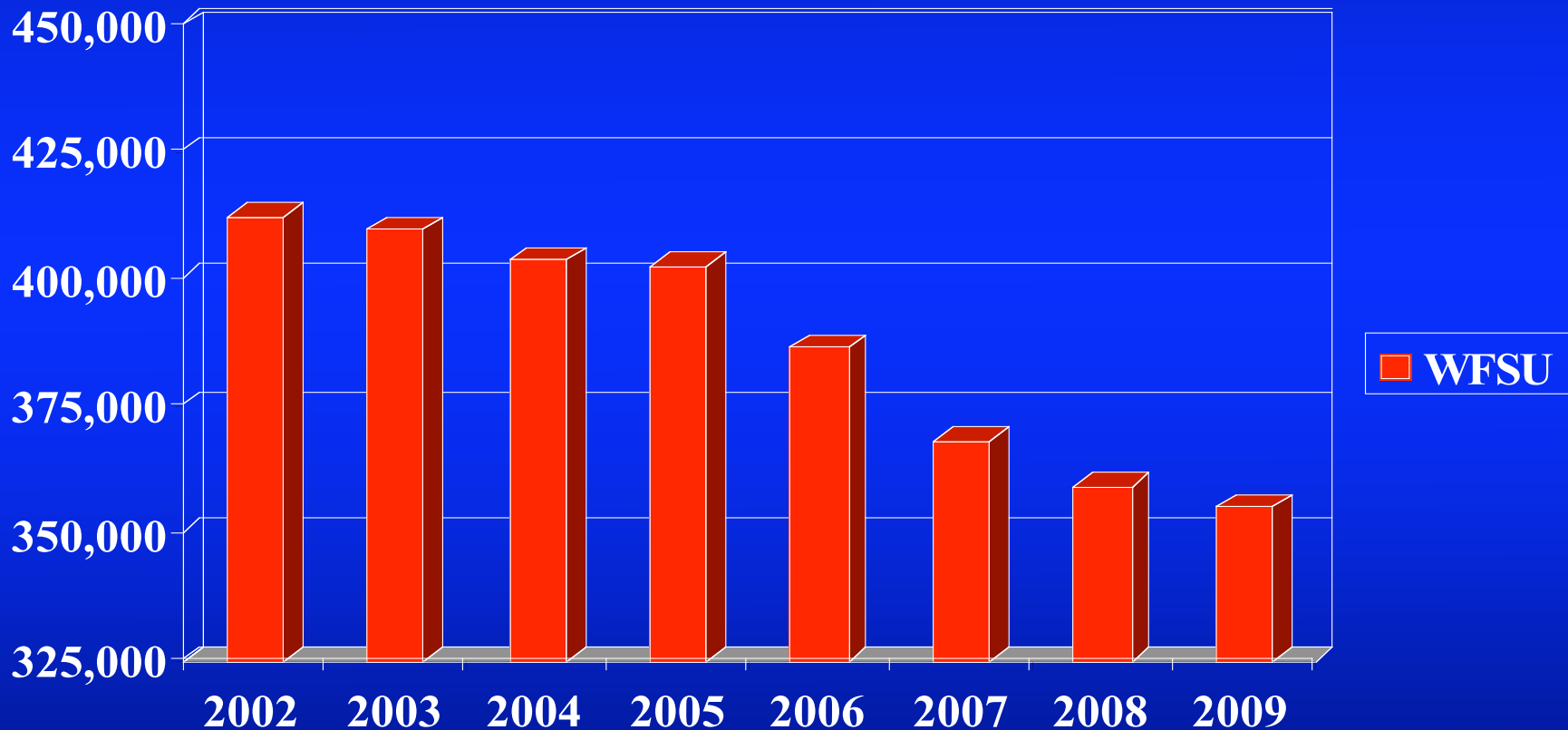
 Student Numbers from Application converted to Average Daily Attendance (ADA-Fed definition)

 ADA then multiplied by Federal Student weights-- called Weighted Federal Student Units (WFSUs)

 WFUs multiplied by Local Contribution Rate (LCR)---the dollar driver

The result is the District's **Maximum Payment**

*Since we have lost federal ADA each year, we have also lost WFSU each year. This is why our Payments have not been too adversely affected with freezes in the past. But this is now changing.....*



# *So What's Been Happening?*


- Appropriations have not been increasing much
- At the same time the LCR (cost of education) continues to rise
- Now the LCR is rising faster than the decrease in WFSU




# ***LOCAL CONTRIBUTION RATE***

- The ‘dollar driver’ of the formula for payments is called the **Local Contribution Rate (LCR)**
- The higher the LCR, the more money per WFSU the district receives. The LCR is based on financial and per pupil expenditure data from **3 years previous**.
- Since LCRs are based on the cost of education, they generally rise each year as costs increase
- LCRs for 2012 (this year) are based on PPEs from 2009
- There are 3 ‘formula driven’ methodologies to determine an LCR and an LEA gets to use the **highest** result from these formulas as its LCR

# ***LCR FORMULAS***

 1/2 of the National Average per Pupil  
Expenditure from 3 years previous; or

 1/2 of the respective State Average per Pupil  
Expenditure from 3 years previous; or

 The State average % of revenues from Local  
Sources multiplied by the State Average per  
Pupil Expenditure from 3 years previous

**Remember..**

**the LEA gets to use the highest result of  
these methodologies!**

## ***LCR Examples for FY '12***

- ✓ National Average PPE in FY '09      \$ 10,667
- ✓ Missouri Average PPE in FY '09      \$ 9,688
- ✓ Missouri % Rev. from Local in FY '06      57.6%

1.  $\frac{1}{2}$  National Avg ( $\$ 10,667 * .5$ ) = **\$ 5,333.50**

2.  $\frac{1}{2}$  State Avg ( $\$ 9,688 * .5$ ) = **\$ 4,844.00**

3. % Local \* State Avg ( $\$ 9,688 * .576$ ) = **\$ 5,580.29**

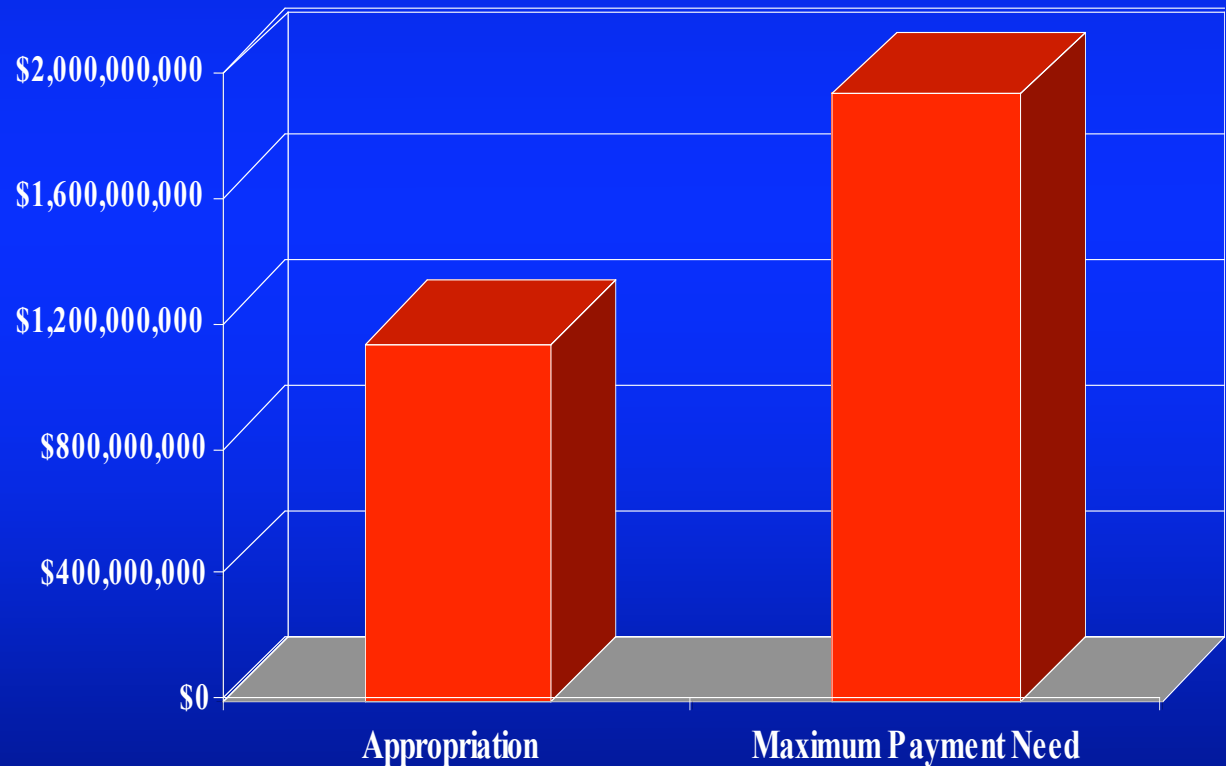
**The FY '12 LCR for LEAs  
in Missouri is at least \$ 5,580.29**

*That's not so hard.*

**SO WHY IS IMPACT AID SO  
COMPLICATED?**

# *There is not enough money appropriated by Congress*

- ❖ **Basic Support Appropriations in '11 are \$1,135,724,000**
- ❖ **The sum of all the Maximum Payments for every LEA in the nation is \$1,974,537,206.88**
- ❖ **This means we only have enough money to meet 58% of our NEED**



## ***WHY THE CONFUSION?***

- Since we do not have the resources to meet every school district's need.....
- We have to have a form of PRORATION

**THAT IS WHAT BRINGS THE  
COMPLICATION (and the  
political in-fighting)!**

# *PRORATION*

## *Learning Opportunity Threshold LOT*

- The law provides for a “NEEDS BASED” Proration
- It is called Learning Opportunity Threshold (LOT)
- Each LEA has a LOT % (Need Factor) which is its:
  - ❖ percentage of Federal ADA; plus
  - ❖ percentage that the Maximum Payment is of the Total Current Expenditures from 3 yrs prior
- It is called Learning Opportunity Threshold (LOT)
- **The LOT Percentage may never be higher than 100%**

# *PRORATION BY LOT*

- Each LEA in the nation has its LOT Percentage computed
- The District's Maximum Payment is then multiplied by its LOT Percentage
- This is called the "LOT Payment"

# ***EXAMPLE OF A LOT PAYMENT***

- LEA has a Maximum Payment Calculation of \$ 100,000
- 25% of the ADA is Federal
- The TCE 3 yrs ago was \$ 2,000,000
- The LOT Percentage is 30%

**ADA is 25%**

**Max. Payment is 5% of TCE (\$100,000 / \$2,000,000)**

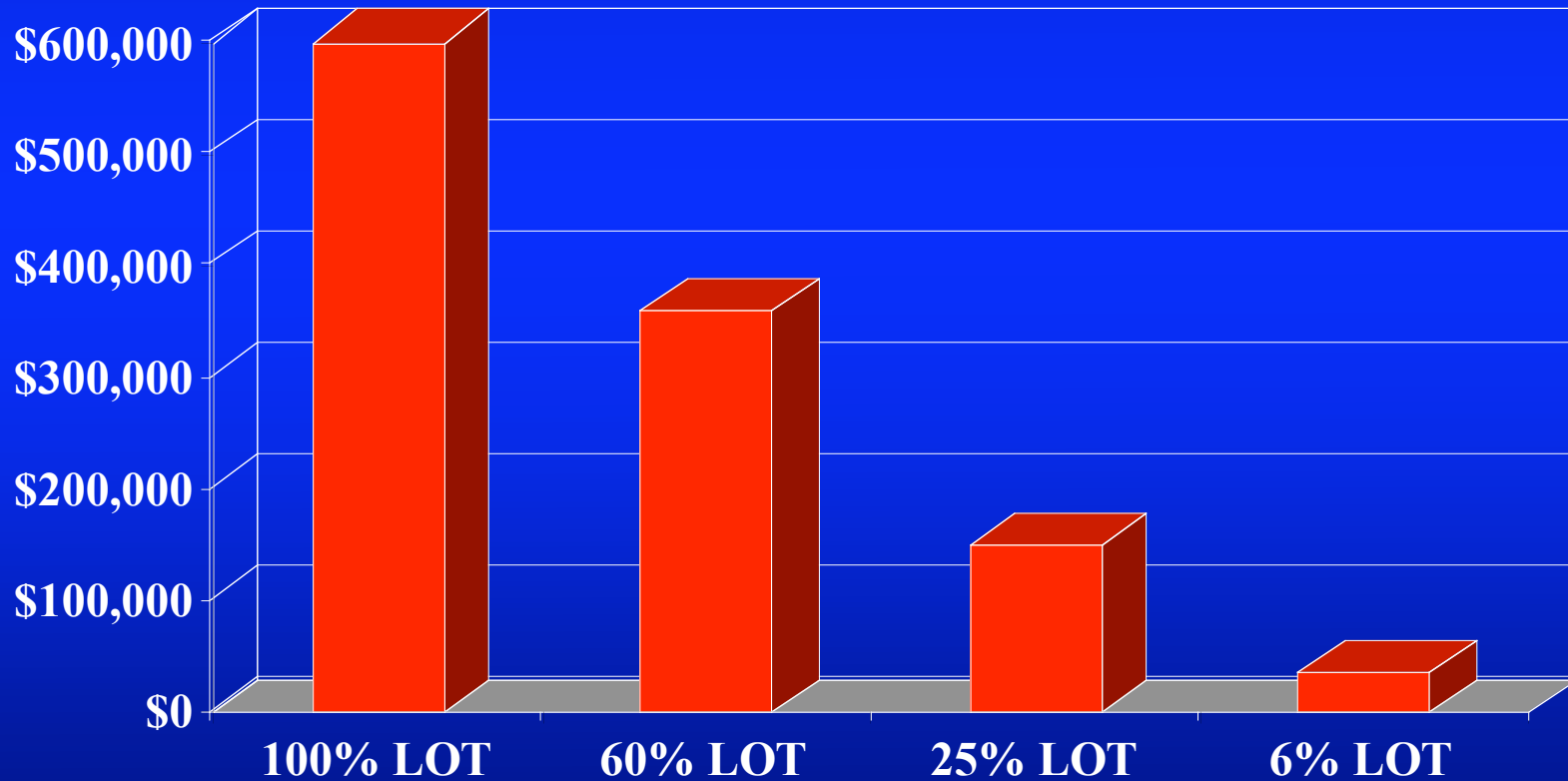
**The LOT Payment is \$ 30,000**     **(\$100,000 \* .30)**

**Max Pay \* LOT %**

# ***LOT PAYMENT MATH***

*Put it all together*

*With a Maximum Payment of  
\$600,000...then the LOT Payment is:*



# ***SUMMARY OF § 8003 (b)***

## ***BASIC SUPPORT***

➤ **MAXIMUM PAYMENT**- the ceiling..the most you can get

- Elements: Student Count, ADA ratio, LCR, Weights

➤ **LOT PAYMENT**- the “Need” Payment..first step of Proration; baseline for further calculations

- Elements: % federal ADA, Total Current Expenditures

*No.....We're not done yet.  
Believe it or not, there's more in  
§8003!*

## § 8003 (d)- DISABILITY

This is a payment in addition to Basic Support for certain federal students who are disabled and have IEPs on file as of the survey date

# *Eligibility for 8003 (d)*

 Indian Land students w/ active IEP on file (as of the survey date)

 Military students w/ active IEP on file (as of the survey date)

- Indian Land SPED students and Military SPED students who live on federal property are reported on Table 1 (NOT on Table 3)
- Military SPED students who do NOT live on federal property are reported on Table 2 (NOT on Table 5)

Secure an alpha list of all students with an active IEP on file as of the survey date from Director of Special Education, and have them sign it. This is your ‘master list’.

Only federal students who are on this list may be put on Table 1 or 2. The list is used as ‘proof’ during an audit.

# *Formula for § 8003 (d) DISABILITY Payments*

- Students on Tables 1 and 2 are multiplied by the ADA ratio
- Each ADA from Table 1 has a Disability Weight of 1.0
- Each ADA from Table 2 has a Disability Weight of 0.5

# *Formula for § 8003 (d)*

## *DISABILITY*

### *Payments*

- The Disability Weights from all districts across the nation are summed.
- The appropriation for § 8003 (d) is divided by the nation-wide total of Disability Weights
- This provides a “per Weight” payment
- The “per Weight” payment is multiplied by the Disability Weight for each district and a payment is sent out.

# *§ 8003(d) DISABILITY Example*

- LEA has 10 students on Table 1 & 30 students on Table 2
- The ADA ratio for the district is .925
- The district has 23.13 Disability Weights
  - ❖  $(10 * 0.925 * 1.0) + (30 * 0.925 * 0.5)$
- Nation-wide there are 44,951 Disability Weights
- The appropriation for § 8003(d) is \$ 48,504,796
- The national payment per Disability Weight is \$1 ,079
  - ❖  $(\$ 48,504,796 \div 44,951)$
- The LEA's § 8003(d) payment is \$24,957
  - ❖  $(\$ 1,079 * 23.13)$

**This payment is IN ADDITION to the money received for these kids in § 8003(b) BASIC SUPPORT**

- For more information, or to clarify any portion of this informational presentation, please contact:

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