

Impact Aid (CFDA No. 84.041)

I. Legislation

Title VIII of the Elementary and Secondary Education Act of 1965, as amended (20 U.S.C. 7701-7714) (expires September 30, 1999).

II. Funding History

| <u>Fiscal Year</u> | <u>Appropriation</u> | <u>Fiscal Year</u> | <u>Appropriation</u> |
|--------------------|----------------------|--------------------|----------------------|
| 1951 | \$ 28,700,000 | 1991 | \$754,361,000 |
| 1970 | 507,900,000 | 1992 | 763,708,000 |
| 1975 | 636,016,000 | 1993 | 738,250,000 |
| 1980 | 792,000,000 | 1994 | 786,304,000 |
| 1985 | 675,000,000 | 1995 | 728,000,000 |
| 1990 | 717,354,000 | 1996 | 693,000,000 |

III. Analysis of Program Performance

A. Goals and Objectives

Impact Aid provides financial assistance to school districts affected by federal activities. The presence of certain children living on federal property across the country places a burden on the school districts that educate these children: because the property on which the children live is exempt from local property taxes, school districts are denied access to a primary source of revenue traditionally used by communities to finance education. Impact Aid helps to replace the lost revenue that would otherwise be available to pay for the education of these children.

Impact Aid funds flow primarily through Basic Support Payments on behalf of federally connected children; additional payments are made for federally connected children with disabilities, for heavily impacted districts, for federal property removed from local tax rolls after 1938, and for construction and renovation of school facilities.

B. Strategies to Achieve the Goals

Services Supported

Basic Support Payments. Section 8003 authorizes aid to about 1,800 school districts with federally connected children, that is, children who live on federal property with a parent who is employed on federal property; children who live on federal property with a parent who is on active military duty or is a foreign military officer; children who live on certain Indian lands; children who do not live on federal property but who have a parent who is on active military duty or is a foreign military officer; children who live in low-rent housing; children who live on federal property but do not fit any of the above categories; and children who do not live on federal property but have a parent who is employed on federal property. To be eligible for aid, a district must have federally connected children amounting to at least 3 percent or 400 children in average daily attendance, whichever is less. In addition, to receive

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aid for children in the last two categories, a district must have at least 10 percent or 1,000 of these children in average daily attendance. In FY 1996, funding for this section was \$582 million, and Basic Support Payments accounted for 84 percent of all Impact Aid payments to school districts.

Payments for Children with Disabilities. Section 8003(d) provides supplemental assistance to school districts that have certain federally connected children who have disabilities, so that the local community does not have to shoulder the entire burden of educating these special-needs children. School districts that receive these payments must use the funds for programs to provide the children counted with a free appropriate education in accordance with the Individuals with Disabilities Education Act; any payments in excess of program costs must be returned. In FY 1996, funding for this section was \$40 million, and funds were provided on behalf of 52,000 federally connected children with disabilities.

Payments for Heavily Impacted Districts. Section 8003(f) provides additional aid to districts that enroll large numbers or proportions of federally connected children and that cannot provide the same level of education provided by comparable school districts in their state. To be eligible for these payments, a district must have (1) at least 50 percent federally connected children (40 percent under certain circumstances) and a tax rate of at least 95 percent of comparable districts in the same state; (2) at least 35 percent federally connected children and have a tax rate of at least 125 percent of comparable districts in the same state; (3) boundaries that are the same as a federal military base; or (4) unusual geographic factors that increase the local costs of educational services. For FY 1996, funding for this section was \$50 million, and approximately 15 districts received these payments, which average \$1,000 per federally connected child.

Construction. Section 8007 provides funds for the construction or renovation of school facilities in eligible school districts, which include districts with large numbers of children living on Indian lands and districts with large numbers of children with a parent in the uniformed services. The need for this assistance is high among eligible districts, especially those serving large numbers of children living on Indian lands. These school districts are among the poorest in the country and have the most difficulty in raising capital for school construction because of their inadequate tax bases. Funding for this section was \$5 million in FY 1996.

Payments for Federal Property. Section 8002 provides aid to districts with significant amounts of federally owned property acquired since 1938, generally based on an estimate of the local revenue that the school district would have received from the eligible federal property if that property had remained on the tax rolls (using a local official's determination of the taxable value of the eligible property and the district's local real property tax rate for current expenditures). FY 1996 funding for this section was \$16 million. In FY 1996, roughly 260 school districts received Payments for Federal Property; of these, roughly 220 districts also received Basic Support Payments. The average Section 8002 payment (\$73,000) was about 20 percent of the average Basic Support Payment (\$363,567).

Strategic Initiatives

To improve the targeting of Impact Aid funds to the districts experiencing the greatest impact of federal activities, the Department continues to propose formula changes through appropriations language, as part of its annual budget request. To improve the timeliness of Impact Aid payments, the Department is working to establish improved review procedures and increase the use of technology in the review process. In order to transfer all Department-owned school facilities by the year 2005, the Department is continuing negotiations with school districts and cooperative efforts with the Department of Defense.

C. Program Performance—Indicators of Impact and Effectiveness

| Impact Aid — DRAFT | | | |
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| Goal: To provide appropriate financial assistance for federally connected children who present a genuine burden to their school districts. | | | |
| Objectives | Indicators | Source and Next Update | Strategies |
| Basic Payments | | | |
| <p>1. Provide payments on behalf of federally-connected children that closely approximate the actual local cost of educating children in the district, including federally connected children.</p> | <p>1.1 Payment amounts. Actual Basic payments will average within 10% of the “ideal” target payment: Local Contribution Percentage multiplied by the state average per pupil expenditure multiplied by the weighted count of federally connected children.</p> <p>1.2 Per pupil expenditures. Recipient LEAs’ per pupil expenditures, after receipt of Basic Payment, will be within 90% and 110% of the state average per pupil expenditures.</p> | <p>1.1 Annual application, National Center for Education Statistics (NCES), and payment data, 1997</p> <p>1.2 Annual application, NCES, and payment data, 1997</p> | <ul style="list-style-type: none"> Propose formula changes through legislation and appropriations language to ensure that funds are directed to districts serving federally-connected children for whom the federal government has a primary obligation. |
| <p>2. Make payments in a timely manner.</p> | <p>2.1 Timeliness of payments. 90% of eligible applicants will receive an initial payment within 60 days following the enactment of an appropriation.</p> | <p>2.1 Annual application and payment files, 1997. Data will be provided by program staff.</p> | <ul style="list-style-type: none"> Improve review procedures. Increase use of technology. |
| Payments for Children with Disabilities | | | |
| <p>3. Provide payments that closely approximate the actual increased local costs of educating federally connected children with disabilities.</p> | <p>3.1 Payment amounts. Payments per federally connected child will average at least 75% of the “ideal” target payment: LEA’s reported expenditure per disabled pupil multiplied by the local contribution percentage for the state.</p> | <p>3.1 Annual application and payment data, 1997</p> | <ul style="list-style-type: none"> Propose formula changes through legislation and appropriations language to ensure that funds are directed to districts serving federally-connected children with disabilities for whom the federal government has a primary obligation. |

| Impact Aid — DRAFT | | | |
|---|--|--|---|
| Goal: To provide appropriate financial assistance for federally connected children who present a genuine burden to their school districts. | | | |
| Objectives | Indicators | Source and Next Update | Strategies |
| Payments for Heavily Impacted Districts | | | |
| 4. Provide increased payments that support adequate current expenditures. | 4.1 Per pupil expenditures. Heavily impacted payments will provide sufficient funds so that the per pupil expenditures of eligible LEAs shall be between 90% and 110% of the state average per pupil expenditure. | 4.1 Annual application and payment data, 1997 | <ul style="list-style-type: none"> ● Propose formula changes through legislation and appropriations language to ensure that funds are directed to districts serving high concentrations of federally-connected children for whom the federal government has a primary obligation. |
| Facilities | | | |
| 5. Continue to maintain, repair, renovate, and transfer ED-owned school facilities. | 5.1 Facility transfers. At least 6 school facilities shall be transferred to LEAs or relinquished annually. All ED-owned facilities shall be transferred or relinquished by 2005. <i>In 1996, 4 facilities were transferred.</i> | 5.1 Program files, 1997 | <ul style="list-style-type: none"> ● The Department has requested funding to maintain ED-owned school buildings in a safe condition and fund a limited number of renovation and transfer projects in the FY 1998 budget. ● Continue negotiations with LEAs to ensure timely transfer of facilities. ● Continue cooperative efforts with the Department of Defense to encourage the transfer of facilities to school districts. |

Objective 1: Provide Basic Payments on behalf of federally connected children that closely approximate the actual local cost of educating children in the district, including federally connected children.

In FY 1996 only 7 percent of all Impact Aid districts received a Basic Payment that was within 10 percent of the “ideal” target payment, which is determined by multiplying the percentage of the district’s funds raised from local revenue sources by the state average per-pupil expenditure, and then multiplying that per-pupil amount by the weighted count of federally connected children. Another 18 percent of the districts received a payment that was more than 10 percent above the ideal target payment. Thus, three-fourths of all Impact Aid districts received payments that were more than 10 percent below the ideal target payment.

While the Basic Support Payments tend to fall short of the actual local cost of educating children in Impact Aid districts, these districts tend to have average or above-average per-pupil expenditures compared with those of other districts in the same state. In FY 1996, nearly half (46 percent) of Impact Aid districts had a per-pupil expenditure, after receipt of their Basic Payment, that was at least 10 percent greater than the average per-pupil expenditure in their state; an additional 28 percent of the districts had a per-pupil expenditure that was within 10 percent of the state average.

Objective 2: Make payments in a timely manner.

Baseline data for this indicator will be available in 1998.

Objective 3: Provide payments for children with disabilities that closely approximate the actual increased local cost of educating federally connected children with disabilities.

Baseline data for this indicator will be available in 1998.

Objective 4: Provide increased payments for heavily impacted districts that support adequate current expenditures.

Baseline data for this indicator will be available in 1998.

Objective 5: Continue to maintain, repair, renovate, and transfer school facilities owned by the U.S. Department of Education.

In 1996, four facilities were transferred to school district ownership; there are 132 Department-owned school facilities that remain to be transferred or relinquished by the year 2005.

IV. Planned Studies

None.

V. Sources of Information

Program files.

VI. Contacts for Further Information

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