

## *Federal Impact Aid: How the Program Works*

**T**he federal Impact Aid law (Title VIII of the Elementary and Secondary Education Act of 1965) was designed to provide assistance to local school districts that have a high concentration of federally connected students, according to the Impact Aid Program Office in the U.S. Department of Education. These children by definition reside on Indian lands, military bases, low-rent housing properties, and other federal properties, or have parents in the uniformed services or parents employed on eligible federal properties. There are several types of impact aid, and the program uses a formula to determine how much aid a school system will receive. The types of aid spelled out in the law are as follows:

### **I. Payments for Federal Property (Section 8002)**

To be eligible for Payment for Federal Property, a school district must show the following: that the federal Government has acquired land in its tax base, that this land is not historically federal land (it has been acquired since 1938), and that this land was valued at a minimum of 10 percent of the district's total property at the time it was acquired.

### **II. Basic Support Payments (Section 8003 (b))**

Basic Support Payments require that a school district educate a minimum of 400 federally connected children, or that federally connected children make up a minimum of 3 percent of the district's average daily attendance. These payments are the majority of the total impact aid appropriations; in 2003, they represented 92 percent of the \$1.19 billion appropriated nationally.

For each school district that qualifies, a formula is applied to determine how much will be appropriated. The maximum amount that the school district could receive is determined, as well as what is referred to as the Learning Optimum Threshold, or the minimum amount on which the district could support the federally

connected children. With limited funding, this minimum amount becomes the starting point in determining how much funding school districts will receive. The formula takes into account such factors as the way these children are connected to the federal government and the proportion of these federally connected children to the total number of students in the district.

The formulas to determine the maximum funding and minimum needs vary for each category of children eligible for impact aid. The logic behind the law is that each category of children has a different impact on a school district. Thus, each category is given a different weight, as follows:

- A student residing on *tax-exempt* federal property within the district with a parent employed on federal property, on active duty, or an official of a foreign government, receives a weight of 1.00.
- A student residing on American Indian lands receives a weight of 1.25.
- A student residing on *taxable* property with a parent who is on active duty or is an official of a foreign government, receives a weight of .20.
- A student residing on taxable property with a parent who is employed on federal property receives a weight of .05. The district must show that there are at least 1,000 of these students in average daily attendance or that these students make up 10 percent of the total average daily attendance in order to qualify for this category of impact aid.

School revenues are derived largely from personal, residential, and commercial property taxes. Thus, students who reside on tax-exempt federal property are given more weight than students who live on taxable property yet have parents who are federally employed. As an example, Cumberland County Board of Education has nearly 16,255

students in its school district who are considered federally connected, yet under the weighted system, this number is the equivalent of some 3,075 students.

When the total number of weighted students is determined for each category of students in a qualifying school district, this number is then multiplied by the local contribution rate (or half of per pupil expenditures from all sources), which establishes the maximum the district could receive. This amount is then compared to the total amount allocated for the state in which the district is located. In North Carolina, \$12.8 million has been allocated for impact aid for 2005. The local contribution rate is \$3,919.50, which, when applied to Cumberland County's 3,075 weighted students, totals \$12.05 million. This amount is almost the entire amount available statewide, yet Cumberland County's school district is just one of 31 school districts in North Carolina that qualify for impact aid.

Thus, the minimum funding level comes into play, taking into account two percentages: (1) federally connected students as a percentage of the district's total student population, and (2) maximum impact aid funding as a percentage of total current expenditures for the district. The 16,255 federally connected students in Cumberland County make up 32.36 percent of the district's 50,229 total student population, and maximum funding of \$12.05 million would total 4.03 percent of the district's \$299 million current expenditures budget. These two percentages (32.36 + 4.03) are added together, and the total (36.39 percent) is applied to the maximum aid amount to arrive at a minimum, or floor-level amount of impact aid. Thus, Cumberland County would receive a minimum of \$4.39 million, or 36.39 percent of the maximum for the county of \$12.05 million.

The federal government then provides the minimum amount and any additional funding up to the maximum amount as appropriations will allow. For Cumberland County in 2005, the minimum amount would be \$4.39 million, the maximum amount would be \$12.05 million, but the

actual amount funded in Basic Support Payments is \$5.3 million.

### **III. Children With Disabilities Payments (Section 8003 (d)).**

In addition to the total amount appropriated for federally connected children, impact aid is allotted to school districts where such children are eligible for services under the Individuals with Disabilities Act (IDEA). For the Cumberland County school district, about \$540,825 is appropriated for 1,175 students with disabilities, bringing the district's total impact aid funding to just over \$5.8 million.

### **IV. Construction Grants (Section 8007)**

These grants are allocated to school districts with high percentages of federally connected children that live on American Indian lands or that are children of members of the uniformed services, and they help to pay for construction and repair of school buildings.

The federal government estimates that for impact aid in 2005, it will appropriate \$1.1 billion in Basic Support Payments, \$62 million for federal property, close to \$50 million for children with disabilities, and \$48 million for construction grants. Of the \$12.8 million allocated to North Carolina under these payments, 31 school districts in North Carolina will receive appropriations. Military counties in Eastern North Carolina account for six of the top 10 school district recipients, and these six school districts account for 87.3 percent of all impact aid dollars allocated for North Carolina (See Table 5).

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