

Impact Aid Reauthorization Overview

The Every Student Succeeds Act (ESSA), the reauthorization of the Elementary and Secondary Education Act, includes a set of critical policy improvements for Impact Aid. Impact Aid is Title VII – not Title VIII – under the new law due to a restructuring of other education programs. The period covered under the four-year reauthorization is FY 2017 – FY 2020.

ESSA includes most of the recommendations included in the NAFIS reauthorization proposal, the “Local Taxpayer Relief Act.”

Major ESSA Policy Improvements:

Timely Payments

Includes “Timely Payments” language to encourage the Department of Education to finalize Impact Aid payments to school districts in a timely manner.

Removal of Barriers

Eliminates the Federal Property “lockout” provision that prevented eligible school districts from receiving an Impact Aid payment.

Puts more onus on the Department of Education to share tax rate and resulting data with Heavily Impacted school districts.

Formula Equality

Makes permanent the Federal Property formula overhaul that has reduced subjectivity in the program and increased the timeliness of payments.

Ensures equal proration of funds when appropriations are sufficient to fully fund the Learning Opportunity Threshold (LOT) above 100-percent.

Greater Funding Stability

Includes a new three-year hold harmless to prevent school districts from facing a significant funding cliff if, for example, a school district experiences significant fluctuations in Federal student enrollment.

Includes a current-year count for school districts experiences significant increases in Federal student enrollment to ensure school districts are promptly compensated.

THE NAFIS FAMILY

MISA

Military Impacted
Schools Association

NIISA

National Indian Impacted
Schools Association

FLISA

Federal Lands Impacted
Schools Association

MTLLS

Mid-to-Low-LOT
Schools

Eliminates Maintenance of Effort (MOE) to prevent a school district from losing all of its Impact Aid due to outside funding factors. (Does not impact MOE or “supplement not supplant” provisions in other ESSA titles).

Increased Authorization

Includes an across-the-board authorization increase for each of the five Impact Aid funding line items (Federal Properties, Basic Support, Disabilities, Facilities, Construction). The new authorized amount is \$100 million over Fiscal Year 2015 enacted levels. Note: While the increased authorization demonstrates Impact Aid is a Congressional priority, appropriations for the program must be approved separately on an annual basis.

Section-by-Section Overview:

7001 – Purpose

Minor, conforming amendments were made to this section.

7002 – Payments Related to Federal Acquisition of Real Property

Federal Properties Formula*: ESSA makes permanent the valuation methodology for eligible Federal property to reduce subjectivity in the program by replacing “highest and best” with an average dollar-per-acre value of taxable property.

Foundation Payment*: A foundation payment is established for school districts based on 90-percent of a school district’s payment in FY 2006 or the average of FY 2006–FY 2009, whichever is higher. New school districts eligible after 2010 also receive a foundation payment, but it is based on 90-percent of their prorated payment under the new formula.

School Districts Sharing Federal Property: When determining the total assessed value of taxable property shared by two or more school districts, any of the school districts sharing common property may request the Secretary to determine the value of the property shared by multiple districts.

Alternative Records: School districts may use alternative records (Federal agency records, local historical records, etc.) to demonstrate eligibility, if original records are not available due to unintentional destruction.

Consolidated Districts**: Addresses an oversight in the 2001 reauthorization by allowing a former Impact Aid district to carry its eligibility to a new school district formed as the result of consolidation on or after 2006.

Lockout: Removes the “lockout” provision that had precluded first-time school districts from accessing Impact Aid funding if they did not apply within seven years of becoming eligible.

7003 – Payments for Eligible Federally Connected Children

Heavily Impacted: Language tightens eligibility requirements and modifies several provisions to respond to force structure and military school district changes. For example, Heavily Impacted school districts have an extra year to meet the tax rate criteria before losing eligibility, since changes at the state and local level can be challenging to monitor. A new provision puts more onus on the Department of Education to share tax rate and resulting data with Heavily Impacted school districts.

Housing Privatization (Tables 9/11):* Clearly defines an eligible renovation project to align with Department of Defense definitions. Simplifies the administration burden of this provision for school districts and the Department of Education by setting a student count hold harmless number based on the year prior to the start of the renovation.

Equal LOT Proration: Ensures equal proration of funds (school districts receive the same amount of funding per weighted student unit) when appropriations are sufficient to fully fund the Learning Opportunity Threshold (LOT) above 100-percent. The current LOT payout is in the low 90s.

Current-Year Count: A school district may take, and be compensated for, a current-year count of students if an increase in enrollment of more than 100 students or 10-percent is the result of a Federal action. The increase must have taken place between the close of one school year and the beginning of the next school year (on the count date). The current-year count would also apply for school districts newly established by the state or school districts that experiences an increase in Federal enrollment due to the closure of another school district.

Hold Harmless: A new hold harmless applies to school districts that face a 20-percent or more reduction in their Impact Aid payments from one fiscal year to another, to prevent school districts from facing a significant funding cliff if, for example, a school district experiences significant fluctuations in Federal student enrollment. The provision is as follows: Year One: 90-percent of the previous year's (base year) payment; Year Two: 85-percent of the payment in Year One; Year Three: 80-percent of the payment in Year Two. The hold harmless applies throughout the period of time covered by ESSA. Should an LEA covered under the hold harmless receive a payment in excess of the hold harmless payment, the higher payment would apply.

Eliminates Maintenance of Effort (MOE) to prevent a school district from losing all of its Impact Aid due to outside funding factors. (Does not impact MOE or "supplement not supplant" provisions in other ESSA titles).

7004 – Policies and Procedures Relating to Children Residing on Indian Lands

No amendments were made to this section.

7005 – Application for Payments Under Sections 7002 and 7003

A third option (in addition to the Source Check and Parent-Pupil Survey) to count eligible students with student registration data was not included in ESSA. However, NAFIS continues to engage NAFIS members, the US Department of Education, vendors, and the education technology community to find a solution to modernize the Impact Aid Application process.

7006 – Repealed

7007 – Construction

Construction funds will continue to be divided between Formula and Competitive grants as they were under the previous law. One change broadens the eligibility for Competitive grant applicants to include school districts where more than ten-percent of land in the school district is exempt from state and local taxation under Federal law. No changes were made to the priority factors (i.e. emergency versus modernization) and criteria for prioritizing and awarding Competitive grants.

7008 – Facilities

No amendments were made to this section.

7009 – State Consideration of Payments in Providing State Aid

No amendments were made to State Equalization. However, NAFIS continues to engage Congress and NAFIS member school districts in Alaska, Kansas, and New Mexico to find an equitable, workable solution for states and school districts.

7010 – Federal Administration

Include “Timely Payments”^{*} language to encourage the Department of Education to finalize Impact Aid payments to school districts in a timely manner. Specifically, no later than September 30 of the second fiscal year following the fiscal year for which the funds were appropriated.

7011 – Administrative Hearings and Judicial Review

No amendments were made to this section.

7012 – Forgiveness of Overpayments

No amendments were made to this section.

7013 – Definitions

Changes include minor and conforming amendments.

7014 – Authorization of Appropriations

ESSA includes an across-the-board authorization increase for each of the five Impact Aid funding line items (Federal Properties, Basic Support, Disabilities, Facilities, Construction). The new authorized amount is \$100 million over Fiscal Year 2015 enacted levels. Note: While the increased authorization demonstrates Impact Aid is a Congressional priority, appropriations for the program must be approved separately on an annual basis.

^{}Language was enacted, with a three-year sunset and a two-year extension, in the Impact Aid Improvement Act of 2012 via the FY 2013 National Defense Authorization Act.*

*^{**}Language was enacted via the FY 2014 Consolidated Appropriations Act.*