

Overview

About This Publication

Impact Aid

U.S. public school districts are financed through a combination of state and local revenue. Local funding comes from a combination of business and residential property taxes and fees and local sales tax.

Because Federal land is exempt from taxation (as are many of the businesses and facilities located on that land), the land places a financial burden on local school districts and taxpayers.

School districts with Federal property—such as military installations, Indian Trust or Treaty lands, Federal low-rent housing and national laboratories, national parks and other Federal buildings and lands—lose local revenue because of these non-taxable Federal activities. Impact Aid is a Federal education program that partially reimburses federally impacted school districts—those located on or near Federal property—for this loss of locally-derived revenue. It ensures these districts are not at a financial disadvantage and that the students they serve have access to the opportunities they need to meet their full potential.

Impact Aid funding is direct, locally controlled and flexible. It goes directly to school districts, bypassing state involvement, and is used to support all students in the district, just like local tax revenue. It can be used for any general fund purpose, such as instructional materials, teacher salaries, transportation, technology, social-emotional supports, extracurricular activities and facilities. All decisions on how Impact Aid funds are spent are made locally, allowing great flexibility to ensure funds are targeted wherever needs are greatest.

For FY 2020, Congress appropriated approximately \$1.49 billion for Impact Aid, across five line items:

Section	Appropriations
7002 – Federal Property	\$75.31 million
7003 – Basic Support	\$1.34 billion
7003(d) – Children with Disabilities	\$48.32 million
7007 – Construction	\$17.41 million
7008 – Facilities	\$4.84 million

Note: Appropriations increased in FY 2021

Section 7002 – Federal Property

Federal Property payments reimburse school districts that have lost significant local revenue due to the Federal ownership of land within school district boundaries. Examples of eligible Federal property include national parks and grasslands, Army Corps of Engineers projects, military testing grounds, national laboratories, environmental waste sites and military academies.

According to data from FY 2018, Section 7002 recipients have a higher percentage of rural school districts than the nation as a whole, at 69%, or 137 districts (nationally, 57% of school districts are considered rural). Fewer recipient school districts are classified as “Town” and “Suburb” than the national average, at 15% and 11%, respectively. The percent of 7002 school districts in cities is exactly the same as for the nation as a whole at 5%, or 9 districts in total.

A school district must meet two criteria to be eligible for Section 7002:

- The property was acquired by the Federal Government after 1938, AND
- The assessed value of the property when it was acquired by the Federal Government was at least 10 percent of the school district’s total assessed value

This property cannot have been acquired in exchange for other Federal property. In addition, the district must not be substantially compensated by increases in revenues from Federal activities from the property, such as timber or mining fees.

School districts must submit an application to the U.S. Department of Education to be considered for a Section 7002 payment each year. The Federal Government uses a **three-step formula to determine the amount of Section 7002 funding that a school district should receive – its full funding payment (sometimes referred to as maximum payment)**. This formula was established in 2013 and is considered less subjective and easier to administer than the previous one.

Step 1:
Total assessed value of taxable property / (Number of acres - Federal acres)
= Average dollar-per-acre of taxable property

Step 2:
Average dollar-per-acre of taxable property x Number of eligible Federal acres
= Value of Federal property

Step 3:
Value of Federal property x Local tax rate
= Full funding payment

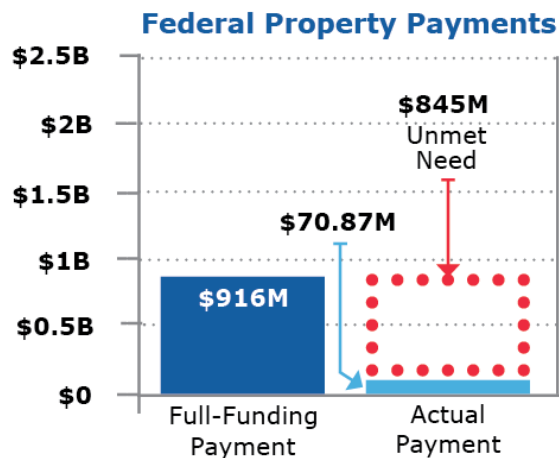
Today, each school district receives a foundation payment based on a percentage of funds that it received under the previous formula. Remaining funds are distributed based on the value of taxable property within school district boundaries and the local tax rate.

Because Section 7002 is underfunded, the funding available after foundation payments are made is equally prorated based on each school district’s full funding payment as a percentage of the total program cost.

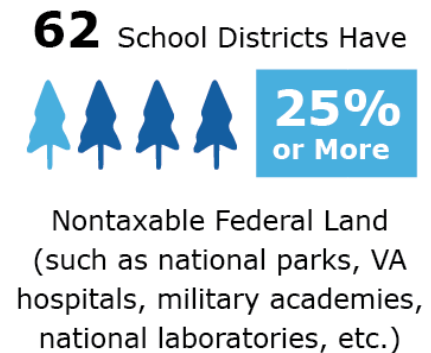
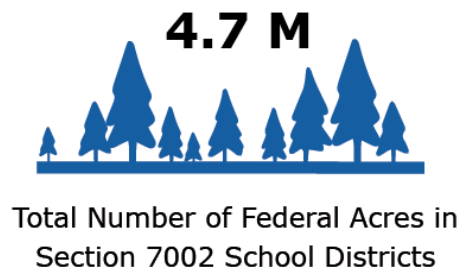
FY 2019 Section 7002 – Federal Property National Snapshot

For FY 2020, Congress appropriated \$75.31 million for Federal Property payments. Nationwide, 200 school districts applied and were eligible for this funding, with 62 of these school districts containing 25% or more nontaxable Federal land. Their calculated full funding payments totaled over \$916.1 million.

SECTION 7002 - FEDERAL PROPERTY



Note: This information comes from the U.S. Department of Education and is based on FY 2020 data.



About NAFIS

The National Association of Federally Impacted Schools (NAFIS) represents the 1,100 federally impacted public school districts that together educate more than 9 million students across the nation. Federally impacted school districts are those located on or near nontaxable Federal property—including military installations; Indian Trust, Treaty and Alaska Native Claims Settlement Act lands; Federal low-rent housing facilities; and national parks, national laboratories and other Federal buildings and property. These school districts, which are demographically and geographically diverse, receive Impact Aid, a Federal education program that reimburses school districts for the lost local revenue and additional costs associated with the presence of Federal property. To learn more, visit www.nafisdc.org.