

**Department of Education**  
**IMPACT AID**  
**Fiscal Year 2009 Budget Request**

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## IMPACT AID

For carrying out programs of financial assistance to federally affected schools authorized by title VIII of the Elementary and Secondary Education Act of 1965, [\$1,262,778,000] \$1,240,718,000, of which [\$1,125,192,000] \$1,105,535,000 shall be for basic support payments under section 8003(b), [\$49,466,000] \$48,602,000 shall be for payments for children with disabilities under section 8003(d),<sup>1</sup> [\$17,820,000] \$17,509,000 shall be for construction under section 8007(b) and shall remain available through September 30, [2009,] [\$65,350,000] 2010,<sup>2</sup> \$64,208,000 shall be for Federal property payments under section 8002,<sup>3</sup> and [\$4,950,000] \$4,864,000, to remain available until expended, shall be for facilities maintenance under section 8008:<sup>4</sup> *Provided*, That for purposes of computing the amount of a payment for an eligible local educational agency under section 8003(a) for school year [2007-2008] 2008-2009, children enrolled in a school of such agency that would otherwise be eligible for payment under section 8003(a)(1)(B) of such Act, but due to the deployment of both parents or legal guardians, or a parent or legal guardian having sole custody of such children, or due to the death of a military parent or legal guardian while on active duty (so long as such children reside on Federal property as described in section 8003(a)(1)(B)), are no longer eligible under such section, shall be considered as eligible students under such section, provided such students remain in average daily attendance at a school in the same local educational agency they attended prior to their change in eligibility status.<sup>5</sup> (Department of Education Appropriations Act, 2008.)

Note -- Each language provision that is followed by a footnote reference is explained in the Analysis of Language Provisions and Changes document which follows the appropriations language.

## IMPACT AID

### Analysis of Language Provisions and Changes

Language Provision	Explanation
<p><sup>1</sup>...[\$1,262,778,000] <u>\$1,240,718,000</u>, of which [\$1,125,192,000] <u>\$1,105,535,000</u> shall be for basic support payments under section 8003(b), [\$49,466,000] <u>\$48,602,000</u> shall be for payments for children with disabilities under section 8003(d)...</p>	<p>This language specifies funding levels for basic support payments and payments for children with disabilities.</p>
<p><sup>2</sup>...[\$17,820,000] <u>\$17,509,000</u> shall be for construction under section 8007(b) and shall remain available through September 30, [2009,] <u>2010</u>,...</p>	<p>This language specifies the amount for construction, makes it available only for competitive awards, and makes the funds available for 2 years, to provide sufficient time to hold the grant competition.</p>
<p><sup>3</sup>...[\$65,350,000] <u>\$64,208,000</u> shall be for Federal property payments under section 8002...</p>	<p>This language specifies the amount for Federal property payments.</p>
<p><sup>4</sup>...[\$4,950,000] <u>\$4,864,000</u>, to remain available until expended, shall be for facilities maintenance under section 8008:...</p>	<p>This language provides funds for the maintenance and repair of federally owned school facilities on a “no-year” basis because these activities typically require several years to initiate and complete.</p>
<p><sup>5</sup> <i>Provided</i>, That for purposes of computing the amount of a payment for an eligible local educational agency under section 8003(a) for school year [2007-2008] <u>2008-2009</u>, children enrolled in a school of such agency that would otherwise be eligible for payment under section 8003(a)(1)(B) of such Act, but due to the deployment of both parents or legal guardians, or a parent or legal guardian having sole custody of such children, or due to the death of a military parent or legal guardian while on active duty (so long as such children reside on Federal property as described in section 8003(a)(1)(B)), are no longer eligible under such section, shall be considered as eligible students under such section, provided such students remain in average daily attendance at a school in the same local educational agency they attended prior to their change in eligibility status.</p>	<p>This language provides continued eligibility for students affected by the deployment or death of their military parent so long as the children still attend school in the same LEA.</p>

**IMPACT AID**

**Amounts Available for Obligation**  
(\$000s)

	2007	2008	2009
Discretionary appropriation:			
Appropriation	\$1,228,453	\$1,262,778	\$1,240,718
Across-the-board reduction	<u>0</u>	<u>-22,061</u>	<u>0</u>
Subtotal, discretionary appropriation	1,228,453	1,240,717	1,240,718
Unobligated balance, start of year	6,105	3,475	20,000
Unobligated balance, end of year	<u>-3,475</u>	<u>-20,000</u>	<u>-20,000</u>
Total, direct obligations	1,231,083	1,224,192	1,240,718

**IMPACT AID**

**Obligations by Object Classification**  
(\$000s)

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	2007	2008	2009
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Contractual services and supplies:			
Peer review .....	0	\$20	\$20
Other services .....	\$153	100	50
Purchases of goods and services from			
Government accounts .....	<u>0</u>	<u>100</u>	<u>100</u>
Subtotal	153	220	170
Grants .....	<u>1,230,930</u>	<u>1,223,972</u>	<u>1,240,548</u>
Total, obligations.....	1,231,083	1,224,192	1,240,718

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**IMPACT AID**

**Authorizing Legislation**  
(\$000s)

Activity	2008 Authorized	2008 Estimate	2009 Authorized	2009 Request
Payments for federally connected children:				
Basic support payments ( <i>ESEA-VIII-8003(b) and (e)</i> )	Indefinite <sup>1</sup>	\$1,105,535	To be determined <sup>1</sup>	\$1,105,535
Payments for children with disabilities ( <i>ESEA-VIII-8003(d)</i> )	Indefinite <sup>1</sup>	48,602	To be determined <sup>1</sup>	48,602
Facilities maintenance: ( <i>ESEA-VIII-8008</i> )	Indefinite <sup>1</sup>	4,864	To be determined <sup>1</sup>	4,864
Construction ( <i>ESEA-VIII-8007</i> )	Indefinite <sup>1,2</sup>	17,509 <sup>3</sup>	To be determined <sup>1</sup>	17,509 <sup>4</sup>
Payments for Federal property ( <i>ESEA-VIII-8002</i> )	<u>Indefinite<sup>1</sup></u>	<u>64,208</u>	<u>To be determined<sup>1</sup></u>	<u>64,208</u>
Total definite authorization				
Total appropriation (request subject to reauthorization)		1,240,717 <sup>5</sup>		
1,240,718				

<sup>1</sup> The GEPA extension applies through September 30, 2008; reauthorizing legislation is sought.

<sup>2</sup> The statute provides that 40 percent of the funds appropriated for Construction under section 8007 shall be used to make formula payments under section 8007(a) and 60 percent shall be used to make competitive awards under section 8007(b).

<sup>3</sup> The 2008 estimate is based on appropriations language making Construction funds available for competitive awards only.

<sup>4</sup> The Administration proposes that the Construction funds requested in fiscal year 2009 be available for competitive awards only.

<sup>5</sup> Detail does not add due to rounding.

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### Appropriations History (\$000s)

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	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
2000	\$736,000	\$907,200	\$892,000	\$910,500
Rescission	0	0	0	-4,048
2001	770,000	985,000	1,075,000	993,302
2002	1,130,500	1,130,500	1,130,500	1,143,500
2003	1,140,500	1,185,000	1,176,500	1,188,226
2004	1,015,500	1,238,324	1,193,226	1,229,527
2005	1,229,527	1,250,893	1,229,527	1,243,862
2006	1,240,862	1,240,862	1,240,862	1,228,453
2007	1,228,453	N/A <sup>1</sup>	N/A <sup>1</sup>	1,228,453
2008	1,228,100	1,278,453	1,248,453	1,240,717
2009	1,240,718			

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<sup>1</sup> This account operated under a full-year continuing resolution (P.L. 110-5). House and Senate Allowance amounts are shown as N/A (Not Available) because neither body passed a separate appropriations bill.

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DEPARTMENT OF EDUCATION FISCAL YEAR 2009 PRESIDENT'S BUDGET

(in thousands of dollars)		2007 Annual	2008	2009	Change from 2008 Appropriation	
Office, Account, Program and Activity	Category Code	CR Operating Plan	Appropriation	President's Request	Amount	Percent
<b>Impact Aid (ESEA VIII)</b>						
1. Payments for federally connected children (section 8003):						
(a) Basic support payments (section 8003(b))	D	1,091,867	1,105,535	1,105,535	0	0.0%
(b) Payments for children with disabilities (section 8003(d))	D	49,466	48,602	48,602	0	0.0%
Subtotal		1,141,333	1,154,137	1,154,137	0	0.0%
2. Facilities maintenance (section 8008)	D	4,950	4,864	4,864	0	0.0%
3. Construction (section 8007)	D	17,820	17,509	17,509	0	0.0%
4. Payments for Federal property (section 8002)	D	64,350	64,208	64,208	0	0.0%
<b>Total</b>	<b>D</b>	<b>1,228,453</b>	<b>1,240,717</b>	<b>1,240,718</b>	<b>1</b>	<b>0.0%</b>
<i>Outlays</i>	<i>D</i>	<i>1,162,814</i>	<i>1,388,915</i>	<i>1,287,119</i>	<i>(101,796)</i>	<i>-7.3%</i>

NOTES: Category Codes are as follows: D = discretionary program; M = mandatory program.  
FY 2008 detail may not add to totals due to rounding.



## IMPACT AID

### Summary of Request

The Impact Aid program provides financial assistance to school districts affected by Federal activities. The presence of certain children living on Federal property across the country can place a financial burden on the local educational agencies (LEAs) that educate them. The property on which the children live is exempt from local property taxes, denying LEAs access to the primary source of revenue used by most communities to finance education. These communities must, therefore, provide for the education of their federally connected children from other revenue sources. Impact Aid helps replace the lost local revenue that would otherwise be available to LEAs to pay for the education of these children.

The Administration requests level funding of \$1.2 billion in fiscal year 2009 for Impact Aid payment authorities, including:

- \$1.1 billion for **Basic Support Payments** on behalf of federally connected children. These funds provide grants for both regular Basic Support Payments and Basic Support Payments for Heavily Impacted LEAs.
- \$48.6 million for **Payments for Children with Disabilities**. These payments are made on behalf of federally connected children with disabilities in order to help eligible LEAs meet the mandate under the Individuals with Disabilities Education Act to provide a free appropriate public education to all children with disabilities.
- \$4.9 million for **Facilities Maintenance**. The Department of Education owns and maintains 24 school facilities that originally were built to enable LEAs and the Department of Defense to educate federally connected students. The request would enable the Department of Education both to continue to transfer these schools to LEAs and to make emergency repairs to the remaining school buildings.
- \$17.5 million for **Construction** payments to LEAs, with the money to be used only for the competitive portion of the program. LEAs generally pay for most of their school construction costs using local, as opposed to State and Federal, resources and rely on property taxes to finance these costs. Competitive grants assist federally affected LEAs that do not have access to those local resources in making emergency renovations and modernizing schools.
- \$64.2 million for **Payments for Federal Property**. This authority provides payments to LEAs in which real property owned by the Federal Government generally represents 10 percent or more of the assessed value of real property in the LEA.

The Impact Aid programs are among the Elementary and Secondary Education programs subject to reauthorization. Implementation of the Administration's reauthorization proposal would strengthen the funding formulas, improve equity, and correct statutory flaws across most of the Impact Aid authorities, particularly in Basic Support Payments. A number of specific proposed changes are discussed in the individual activity requests.

## IMPACT AID

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### Basic support payments

(Elementary and Secondary Education Act, Title VIII, section 8003(b) and (e))

FY 2009 Authorization (\$000s): To be determined <sup>1</sup>

Budget Authority (\$000s):

<u>2008</u>	<u>2009</u>	<u>Change</u>
\$1,105,535	\$1,105,535	0

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<sup>1</sup> The GEPA extension applies through September 30, 2008; reauthorizing legislation is sought.

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### PROGRAM DESCRIPTION

Impact Aid Basic Support Payments compensate local educational agencies (LEAs) for the burden of educating federally connected children. In communities across the country, the presence of Federal activities can both increase the number of students and decrease the local property tax base, which is the major source of revenue for education in most LEAs. Basic Support Payments go into the general funds of these LEAs, which use them for such expenses as teacher salaries, computers, curricular materials, regular and special instruction programs, and utilities.

The Impact Aid statute authorizes Basic Support Payments to LEAs on behalf of the following categories of federally connected students:

- (A) students who live on Federal property with a parent employed on Federal property situated in whole or in part within the boundaries of the LEA, or with a parent who is a foreign military officer accredited by a foreign government;
- (B) students who live on Federal property and who have a parent on active duty in the uniformed services of the United States;
- (C) students who live on certain Indian lands;
- (D) students who do not live on Federal property but who have a parent on active duty in the uniformed services of the United States, or a parent who is a foreign military officer accredited by a foreign government;
- (E) students who reside in a low-rent housing project assisted under the United States Housing Act of 1937;
- (F) students who live on Federal property but otherwise do not fit into any of the categories described above; and

## IMPACT AID

### Basic support payments

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(G) students who do not reside on Federal property but who have a parent employed on Federal property situated in whole or in part in the same State as the LEA.

An LEA that claims students living on Indian lands under category (C) is required to consult with the parents and tribes of these children concerning their education and to ensure that these children receive equal educational opportunities. The LEA must develop and file with the Department a set of Indian Policies and Procedures describing how it meets this requirement. Children living on Indian lands receive a weight of 1.25 in the Basic Support Payments formula, higher than the weights assigned to other categories of federally connected children. These children often are disadvantaged and live in isolated rural areas, factors that can result in increased costs to the school districts that serve them.

The law authorizes two different types of Basic Support Payments: Regular Basic Support Payments and Basic Support Payments for Heavily Impacted LEAs. Under the statutory payment formula, funds are used first to make the maximum payment for each of the heavily impacted LEAs. The remaining funds are used to make regular Basic Support Payments.

#### Regular Basic Support Payments (section 8003(b)(1))

An LEA is eligible for Basic Support Payments only if the total number of eligible federally connected students described above is at least 400 in average daily attendance or 3 percent of total average daily attendance. In order to receive payments on behalf of students in categories (F) and/or (G) (formerly referred to as "civilian b's"), an LEA must have at least 1,000 such students in average daily attendance or the number of such students must equal or exceed 10 percent of the total average daily attendance in that LEA.

To determine the *maximum payment* an LEA may receive, the statute specifies weights for each category of federally connected students. The formula multiplies this weighted student count by the greatest of four *local contribution rates* (LCRs), which are intended to represent the local share of the cost of educating these students, to determine the LEA's maximum payment. The four LCR options are:

- one-half of the U.S. average per-pupil expenditure for education;
- one-half of the State per-pupil expenditure (SPPE);
- the LCR of comparable LEAs in the State; and
- the product of the SPPE and the *local contribution percentage* (the percentage of education expenditures that comes from the local level) in the State.

If appropriations are insufficient to make maximum payments in full, the formula reduces maximum payments by multiplying them by a percentage, called the *Learning Opportunity Threshold* (LOT) percentage, which is the sum of:

- the percentage of the LEA's students in average daily attendance who are federally connected; and

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### Basic support payments

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- its maximum payment under the Basic Support Payments formula as a percentage of total current expenditures.

The sum of these two percentages may not exceed 100 percent. In addition to this maximum LOT, LEAs with an enrollment of fewer than 1,000 students and a per-pupil expenditure below the State or national average receive a minimum LOT of 40 percent. A LOT percentage, when multiplied by a maximum payment, results in a LOT payment. If the appropriation is insufficient to provide LOT payments in full, the formula ratably reduces these payments. If the level of funding exceeds the level needed to fund LOT payments fully, but is insufficient to provide maximum payments to all LEAs, the formula ratably increases these payments above the LOT. These ratably increased LOT payments, however, may not exceed an LEA's maximum payment.

### Basic Support Payments for Heavily Impacted LEAs (section 8003(b)(2))

The eligibility criteria and payment formulas for Basic Support Payments for Heavily Impacted LEAs are particularly complex. There are two sets of eligibility criteria. One set is for LEAs that received these payments in fiscal year 2000 and the second, more stringent set is for all other eligible LEAs. The latter LEAs were not eligible to receive payments until fiscal year 2002. LEAs that received a payment in fiscal year 2000 and fail to meet the eligibility criteria in a subsequent year continue to receive a Basic Support Payment for Heavily Impacted LEAs in the first year that they fail to meet the criteria.

The "heavily impacted" payments are based on a formula that is similar to the regular Basic Support Payments but that produces much larger payments for the heavily impacted LEAs. Under the formula for heavily impacted LEAs, LEAs receive funds on behalf of students in categories (F) and (G) (formerly referred to as civilian "b's") even if the number of those students falls below the threshold of 1,000 or 10 percent that applies to regular Basic Support Payments. Moreover, many recipients' payments are based on substantially higher weights for federally connected students than apply to regular payments for the same types of federally connected students. Heavily impacted LEAs receive higher weights for their federally connected students based on the number of students in the LEA, the composition of the students within the LEA, or a combination of the two. For instance, federally connected students receive weights ranging from .05 to 1.35 under the regular Basic Support Payments formula, but receive a weight of 1.75 per student under the Basic Support Payments for Heavily Impacted LEAs formula, provided that the LEA has 100 or fewer federally connected students.

The local contribution rates (LCRs) also tend to be much higher under the heavily impacted formula. They are the higher of:

- 80 percent of the U.S. average per-pupil expenditure for education; or
- 80 percent of the SPPE.

Basic Support Payments for Heavily Impacted LEAs are not reduced by the LOT, nor are they reduced when funds are insufficient to fully fund LOT payments for LEAs under section 8003(b)(1). Heavily Impacted LEAs receive their maximum Heavily Impacted payments so long as funding is sufficient to cover the maximum payments for these LEAs.

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### Basic support payments

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The authorizing law also makes an LEA meeting certain unique criteria eligible for Basic Support Payments for Heavily Impacted LEAs. A school district is eligible under this provision if:

- its boundaries are identical to island property designated by the Secretary of the Interior as being held in trust by the Federal Government,
- it has no taxing authority, and
- it received a regular Basic Support Payment in fiscal year 2001.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2004.....	\$1,063,687
2005.....	1,075,018
2006.....	1,091,867
2007.....	1,091,867
2008.....	1,105,535

### FY 2009 BUDGET REQUEST

For 2009, the Administration requests \$1.106 billion for Basic Support Payments, the same as the 2008 level. Impact Aid Basic Support Payments compensate local educational agencies (LEAs) for the local share of the cost of educating federally connected students.

The request recognizes that the so-called “a” students (Indian, military, and civilian) – primarily students who reside on Indian lands or who reside on and whose parents work on Federal property – represent a major financial burden for LEAs that must educate them. LEAs lack the ability to raise funds to educate these students using property taxes, which are the primary source of local revenue for public education costs, because federally owned land and Indian lands are exempt from local taxes.

Although the presence of the so-called “b” students residing on private property does not create the same burden for LEAs, it is still significant. The families of military “b’s” pay property taxes on their residences but typically pay little in sales tax and, often, because of the Soldiers and Sailors Relief Act, do not pay income taxes to their State or locality of residence, either. All types of “b” students either reside on, or have parents who work on, property that the district cannot tax, and the education of children who reside in low-rent housing is costly to districts because these children bring to schools all the issues associated with poverty.

This request represents a 25 percent increase in Basic Support Payments since 2001 and would fund 72 percent of the projected 2009 full-funding level and maintain the Department’s commitment to approximately 1 million federally connected students. While LEAs may expend their payments for either current operations or capital costs, the program’s formula is designed to compensate LEAs for current expenditures for educating federally connected students. Most districts report that they use Basic Support Payments for payroll and general operating expenditures.

## IMPACT AID

### Basic support payments

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The Basic Support Payments program is authorized by the Elementary and Secondary Education Act of 1965 and is therefore, subject to reauthorization this year. The budget request assumes that the program will be implemented in fiscal year 2009 under reauthorized legislation.

The Administration's reauthorization proposal for the program would delete the current eligibility and payment provisions for "heavily impacted" districts and replace them with new requirements that are less complicated and incorporate financial need. The proposal would also eliminate the local contribution rate based on the national average per-pupil expenditure. These changes, in addition to simplifying the formula and payment criteria, would improve the program by making it more responsive to the needs of LEAs that educate federally connected students.

Payments for heavily impacted districts have generally gone to about 25-30 LEAs that meet special eligibility requirements. These provisions have been revised over the years to ensure continued eligibility and maintain the level of payments for this select group of districts. The data in the Program Output Measures section of this request show that, in fiscal year 2007, the 27 heavily impacted districts received almost 4 times the amount per child as other LEAs in the program. Among those 27 districts, 9 of them received almost 9 times the average amount. These payments to heavily impacted districts divert a significant level of funds (\$108 million in 2007) from the rest of the program. Moreover, the heavily impacted payments are made without consideration of financial need.

Furthermore, these special provisions for heavily impacted districts are in addition to the funding priority given to LEAs that enroll large numbers or proportions of federally connected students. The Learning Opportunity Threshold (LOT) targets funds to LEAs with large proportions of federally connected children when funds are insufficient to fully fund basic support payments. LEAs with a relatively high percentage of federally connected children already receive higher average payments per child. Of the 27 heavily impacted districts in FY 2007, 18 had a LOT of 100 percent, guaranteeing them their maximum payment under the formula. Even without the special provisions, the 27 heavily impacted districts would have received almost \$2,000 per student in FY 2007, more than double the amount that went to the rest of the LEAs.

The Administration's proposal would also include a test for financial need for heavily impacted districts based on the LEA's current tax effort as well as the disparity between its per-pupil expenditure and that of the State or three comparable local districts. The new requirements would also include a 2-year hold-harmless provision of 90 percent of the previous year's allocation to all of the districts that would lose funding as a result of the changes.

The current statutory payment formula considers four separate local contribution rates (LCRs) in calculating each LEA's maximum payment. The LCRs are intended to represent the local share of the cost of educating federally connected students. Many LEAs in relatively low-spending States use the national average per-pupil expenditure rather than the State average per-pupil expenditure, which results in windfall payments to these LEAs and provides a disincentive for LEAs and SEAs to support increases in funding for education from their own resources. The problem is exacerbated for the heavily impacted districts, as they are permitted to use 80 percent of the national or State average per-pupil expenditure as their formula LCR, as opposed to 50 percent for the rest of the LEAs. Repealing the authority to use the national average per-pupil expenditure when computing an LCR will result in more equitable payments.

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### Basic support payments

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The Department recently contracted for a study of the Impact Aid program that examined the financial burdens that school districts face due to the Federal presence and how well funds were targeted to those districts. Preliminary results from the study indicate that, while heavily impacted districts have the greatest financial burden, they have been greatly overcompensated by the payment formula. The average amount of compensation to heavily impacted districts was found to be about double their financial burden. Incorporating all of the Administration's reauthorization proposals for this program would significantly improve the targeting of funds to districts with the greatest financial need by reducing the amount of compensation to heavily impacted districts and the lowest-spending LEAs. For 2009, even with the hold-harmless protection, the disparity in payments to regular districts and heavily impacted districts would drop to about 3 to 1. The disparity would be a little over 2 to 1 without the hold-harmless protection.

### PROGRAM OUTPUT MEASURES

	<u>2007</u>	<u>2008</u>	<u>2009</u>
<b>All eligible LEAs</b>			
Number of LEAs receiving payments	1,244	1,244	1,244
Range of payments	\$56- 45,013,509	\$56- 45,554,385	\$65- 50,751,658
<b>Regular LEAs</b>			
Number of LEAs receiving Payments	1,217	1,217	1,217
Range of payments	\$56- 45,013,509	\$56- 44,942,416	\$65- 50,751,658
<b>Heavily impacted LEAs</b>			
Number of LEAs receiving Payments	27	27	27
Range of payments	\$501,715- 44,661,162	\$511,750- 45,554,385	\$460,575- 40,998,947
<b>Number of federally connected students</b>			
In all eligible LEAs	954,904	954,904	954,904
In regular LEAs	896,483	896,483	896,483
In heavily impacted LEAs	58,421	58,421	58,421
<b>Total payments for students</b>			
In regular LEAs	\$872,289,496	\$881,565,801	\$903,718,059
In heavily impacted LEAs	\$219,577,544	\$223,969,095	\$201,816,941
In heavily impacted LEAs Without hold-harmless <sup>1</sup>	N/A	N/A	\$135,744,764

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### Basic support payments

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#### PROGRAM OUTPUT MEASURES

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Average payment per student			
In all LEAs	\$1,143	\$1,158	\$1,158
In regular LEAs	\$973	\$983	\$1,008
In heavily impacted LEAs	\$3,758	\$3,834	\$3,454
Without hold-harmless <sup>1</sup>	N/A	N/A	\$2,324
Percentage of LEAs			
by size of payment			
\$1-4,999	5.7%	5.7%	4.8%
\$5,000-49,999	30.4%	30.4%	29.9%
\$50,000-499,999	41.2%	41.1%	41.7%
\$500,000 or more	22.7%	22.8%	23.6%
Total dollar amount of payments			
by size of payment			
\$1-4,999	\$212,358	\$212,023	\$190,108
\$5,000-49,999	\$7,925,283	\$7,914,236	\$8,304,014
\$50,000-\$499,999	\$93,724,429	\$93,894,418	\$97,913,099
\$500,000 or more	\$990,004,970	\$1,003,514,219	\$999,127,779
Average payment per child			
by percentage of federally			
connected children			
0-19 percent	\$221	\$221	\$270
20-39 percent	\$908	\$909	\$1,054
40-59 percent	\$2,947	\$2,988	\$2,848
60-79 percent	\$4,802	\$4,899	\$4,502
80 percent or more	\$5,554	\$5,665	\$5,137
Number of students			
“a” students <sup>2</sup>	239,238	239,238	239,238
“b” students <sup>3</sup>	715,666	715,666	715,666
Total payments			
“a” students <sup>2</sup>	\$947,807,168	\$960,752,177	\$945,787,765
“b” students <sup>3</sup>	\$144,059,872	\$144,782,719	\$159,747,235
Average payments per child			
“a” students <sup>2</sup>	\$3,962	\$4,016	\$3,953
“b” students <sup>3</sup>	\$201	\$202	\$223



## IMPACT AID

### Basic support payments

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#### PROGRAM OUTPUT MEASURES

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Cost of fully funding maximum payments	\$1,690,755,354	\$1,724,570,461	\$1,534,773,447

Note: All figures are estimates based on student count and payment data from 2007; FY 2009 estimates are based on a simulation that reflects recommended changes to the funding formula under the reauthorization of the Elementary and Secondary Education Act.

<sup>1</sup> Includes only funds the heavily impacted LEA would receive without application of a 90 percent hold-harmless. The 90 percent hold-harmless would be in effect for the first 2 years of the reauthorized program.

<sup>2</sup> "a" students are generally those students who live on Indian lands or whose parents both live and work on Federal property, as defined in subsections 8003(a)(1)(A)-(C).

<sup>3</sup> "b" students are generally those students who either reside on Federal land with their parents or whose parents work on Federal land, as defined in subsections 8003(a)(1)(D)-(G).

#### PROGRAM PERFORMANCE INFORMATION

##### Performance measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program

**Goal: To provide appropriate financial assistance for federally connected children who present a genuine burden to their school districts.**

**Objective:** *Properly compensate districts for revenue lost due to a Federal presence.*

<b>Measure:</b> The percentage of Basic Support Payment recipients (excluding districts that receive payments for "heavily impacted" districts) that have per-pupil expenditures between 80 and 120 percent of their State average per-pupil expenditure.		
Year	Target	Actual
<b>2004</b>		65.9
<b>2005</b>		64.2
<b>2006</b>		63.4
<b>2007</b>		
<b>2008</b>		
<b>2009</b>	65	

## IMPACT AID

### Basic support payments

<b>Measure:</b> The percentage of Basic Support Payment recipients designated as “heavily impacted” districts that have per-pupil expenditures between 80 and 120 percent of their State average per-pupil expenditure.		
Year	Target	Actual
2004		67.9
2005		57.1
2006		55.6
2007		
2008		
2009	60	

**Assessment of progress:** These are new measures developed by the Department that serve as proxies for how well Impact Aid payments make up for the revenue lost due to the presence of federally connected students. Districts spending more than 20 percent above or below the State average are likely being under- or over-compensated. In 2006, 31.3 percent of regular districts spent above 120 percent of the State average while 40.7 percent of heavily impacted districts spent above 120 percent of the State average. Targets for 2009 and beyond were set using the 2006 data and estimates of the formula payments under the Administration’s reauthorization proposals. A long-term target of 67 percent for regular districts and 75 percent for heavily impacted districts was set for 2012.

### Efficiency measures

<b>Measure:</b> The number of requests to forgive overpayments of Basic Support Payments.		
Year	Target	Actual
2004	10	3
2005	10	2
2006	10	4
2007	10	4
2008	10	
2009	10	

**Assessment of progress:** This indicator provides a proxy for calculating the extent to which the Department’s payments are accurate. The data show that the accuracy of payments has not been a recent problem. In 2007, the number of requests received from LEAs for overpayment forgiveness was well below the target of 10 requests.

## IMPACT AID

### Basic support payments

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<b>Measure:</b> The percentage of eligible applicants who receive initial Basic Support Payments within 60 days after the enactment of an appropriation.		
Year	Target	Actual
2004	90	95
2005	90	94
2006	90	87
2007	90	94
2008	90	
2009	90	

**Assessment of progress:** In the past, progress under this indicator was hampered by problems with collecting data on total current expenditures from States. (These data are needed for the Department to calculate LEA payments.) Prior to 2003, the Impact Aid program office collected these data directly from States. The National Center for Education Statistics (NCES) began providing the data in 2003, and this change resulted in improved timeliness of payments. The Department attributes the recent increase to the continued enhancements in the Impact Aid data system in conjunction with higher performance monitoring standards.

### Follow-up on PART Findings and Recommendations

The Basic Support Payments and Children with Disabilities programs underwent a PART review in 2005 and received a “Results Not Determined” rating. The follow-up actions recommended in the review were to continue the development of a model for estimating the effectiveness of the program in delivering an appropriate amount of assistance to federally affected school districts, develop performance measures for the program, and, through the Elementary and Secondary Education Act reauthorization, to develop legislative proposals to correct any structural flaws in the program.

In response to the PART review, the Department contracted for a study of the Impact Aid program that is examining the financial burdens that school districts face due to a Federal presence and how well targeted Impact Aid funds are to those affected school districts. Preliminary conclusions from the analysis are mixed. While targeting of funds to the districts with the greatest financial need was found to be poor overall, the analysis found better results with models that excluded heavily impacted districts and districts with Indian lands. The model also revealed that the Impact Aid program is meeting about 40 percent of the financial burden of districts when the heavily impacted districts and districts with Indian lands are excluded.

The Department has also developed two new output measures that will serve as proxies for how well Impact Aid payments make up for lost revenue due to a Federal presence. The Department intends to conduct a second PART review in 2008.

The PART improvement plan recommendations are presented below, followed by a description of the Department’s actions to address them.

- *Continue development of a model for estimating the effectiveness of the program in delivering an appropriate amount of assistance to federally affected school districts.* The Department contracted for a study examining the financial burdens that school districts face

## IMPACT AID

### Basic support payments

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due to a Federal presence and how well targeted Impact Aid funds are to those districts. The study will be published in early 2008.

- *Work with Congress during the NCLB reauthorization to correct the structural flaws in the program.* The Department has developed proposals to correct structural flaws in the program through the NCLB reauthorization.
- *Expand on the most recent Impact Aid study, specifically, by looking at how the current formula weights might be improved and in what ways the model developed in the 2007 study can be used to track the performance of the funding formula.* The Department will contract for additional analyses to examine the disparity in funding for different categories of federally impacted children as well as how the model developed in the previous study can be used to track the extent to which formula payments achieve the goals of the program.

## IMPACT AID

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### Payments for children with disabilities

(Elementary and Secondary Education Act, Title VIII, section 8003(d))

FY 2009 Authorization (\$000s): To be determined <sup>1</sup>

Budget Authority (\$000s):

<u>2008</u>	<u>2009</u>	<u>Change</u>
\$48,602	\$48,602	0

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<sup>1</sup> The GEPA extension applies through September 30, 2008; reauthorizing legislation is sought.

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### PROGRAM DESCRIPTION

The Individuals with Disabilities Education Act (IDEA) mandates that local educational agencies (LEAs) provide a free appropriate public education to students with disabilities, whose educational costs are generally higher than those of other students. Payments for Children with Disabilities provides supplemental assistance to LEAs that are deprived of local revenue due to a Federal presence, providing a portion of the cost of educating federally connected students with disabilities that, in other LEAs, is met with local funds.

Section 8003(d)(1) authorizes payments for the following categories of federally connected students who are eligible for services under the IDEA:

- (A) students who live on Federal property with a parent who is a foreign military officer accredited by a foreign government;
- (B) students who live on Federal property and who have a parent on active duty in the uniformed services of the United States;
- (C) students who live on Indian lands; and
- (D) students who do not live on Federal property but who have a parent on active duty in the uniformed services of the United States or a parent who is a foreign military officer accredited by a foreign government.

Available funds are paid to LEAs based on the number of eligible students with disabilities enrolled in each LEA, except that a student in category (D) receives one-half of the weight provided for students in categories (A), (B), and (C). Funds are ratably distributed based on the weighted student count.

LEAs that receive payments under this authority must use the funds to provide the students who are counted with a free appropriate public education in accordance with the IDEA. These payments are intended to help pay the "excess costs" of educating these students, that is, those costs that are greater than what is spent on educating a student without a disability.

## IMPACT AID

### Payments for children with disabilities

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Funding levels for the past 5 fiscal years were:

	(\$000s)
2004.....	\$50,369
2005.....	49,966
2006.....	49,466
2007.....	49,466
2008.....	48,602

### FY 2009 BUDGET REQUEST

For 2009, the Administration requests level funding, approximately \$48.6 million, for Payments for Children with Disabilities. These payments would be made on behalf of federally connected children with disabilities in order to help eligible LEAs meet the mandate under the Individuals with Disabilities Education Act (IDEA) to provide a free appropriate public education to all children with disabilities.

The costs incurred by school districts in providing appropriate educational services to children with disabilities have steadily increased. Impact Aid payments for children with disabilities generally cover only a portion of the additional costs of educating these children, but provide important financial assistance to recipient LEAs.

Payments for Children with Disabilities help federally affected LEAs provide the special education services required by the Individuals with Disabilities Education Act. A Department publication, *What Are We Spending on Special Education Services in the United States, 1999-2000*, estimated the cost of educating a student with a disability to be about twice the amount needed for the typical regular education student with no special needs. In 2009, using the national average per-pupil expenditure as the measure of excess cost of educating a federally connected student with a disability, the combination of IDEA funds and Payments for Children with Disabilities would provide, on average, 27 percent of the excess cost to eligible LEAs. The supplemental funding under this authority is justified because federally affected LEAs are unable to tax Federal property even though they educate children with disabilities who reside with their parents on Federal lands.

The Payments for Children with Disabilities program is authorized by the Elementary and Secondary Education Act of 1965 and is, therefore, subject to reauthorization this year. The Administration has not proposed changes to this authority.

## IMPACT AID

### Payments for children with disabilities

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#### PROGRAM OUTPUT MEASURES

	<u>2007</u>	<u>2008</u>	<u>2009</u>
School districts			
Number of LEAs receiving payments	907	907	907
Range of payments	\$387- 1,503,270	\$380- 1,476,998	\$380- 1,477,003
Percentage of payments by size of payment			
\$1-4,999	19.9%	20.0%	20.0%
\$5,000-19,999	34.3%	34.7%	34.7%
\$20,000-99,999	31.9%	31.5%	31.5%
\$100,000 or more	13.9%	13.8%	13.8%
Total dollar amount of payments by size of payment			
\$1-4,999	\$446,677	\$443,795	\$443,797
\$5,000-19,999	\$3,465,849	\$3,499,078	\$3,499,090
\$20,000-99,999	\$13,557,917	\$13,321,966	\$13,322,013
\$100,000 or more	\$31,995,897	\$31,336,990	\$31,337,100
Number of "a" students eligible <sup>1</sup>	32,755	32,755	32,755
Number of "b" students eligible <sup>2</sup>	<u>22,724</u>	<u>22,724</u>	<u>22,724</u>
Total eligible students	55,479	55,479	55,479
Total funding for "a" students	\$36,726,563	\$36,084,702	\$36,084,829
Total funding for "b" students	\$12,739,777	\$12,517,127	\$12,517,171
Average payment per "a" student	\$1,121	\$1,102	\$1,102
Average payment per "b" student	\$561	\$551	\$551
Average payment per student <sup>3</sup>	\$892	\$876	\$876
Average IDEA Grants to States funding per student	<u>\$1,584</u>	<u>\$1,609</u>	<u>\$1,658</u>
Total average Federal funding per student	\$2,476	\$2,475	\$2,534

Note: All figures are estimates based on student count and payment data from 2007.

<sup>1</sup> "a" students are generally those students who live on Indian lands or whose parents both live and work on Federal property, as defined in subsections 8003(a)(1)(A)-(C).

<sup>2</sup> "b" students are generally those students who either reside on Federal land with their parents or whose parents work on Federal land, as defined in subsections 8003(a)(1)(D)-(G).

<sup>3</sup> Impact Aid Payments for Children with Disabilities.

## IMPACT AID

### **Payments for children with disabilities**

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#### PROGRAM PERFORMANCE INFORMATION

The current performance indicators associated with the timeliness of payments and accuracy of payments apply to this payment authority as well as to Basic Support Payments. A discussion of the indicators is included in the activity request for Basic Support Payments. During 2008, the Department will determine whether to adopt one or more additional indicators specifically applicable to Payments for Children with Disabilities.



## IMPACT AID

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### Facilities maintenance

(Elementary and Secondary Education Act, Title VIII, section 8008)

FY 2009 Authorization (\$000s): To be determined <sup>1</sup>

Budget Authority (\$000s):

<u>2008</u>	<u>2009</u>	<u>Change</u>
\$4,864	\$4,864	0

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<sup>1</sup> The GEPA extension applies through September 30, 2008; reauthorizing legislation is sought.

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### PROGRAM DESCRIPTION

Section 8008 authorizes funding for emergency repairs and for comprehensive capital improvements to schools that the Department of Education (ED) owns but that local educational agencies (LEAs) use to serve federally connected military dependent students. In addition, the law mandates that the Secretary transfer these facilities to the appropriate LEAs or other entities as soon as practicable. ED cannot charge LEAs for the use of these school buildings, and ED must gain an LEA's consent to accept them. Subject to these restrictions, ED may make the transfers on such terms as the Secretary deems appropriate. Funds for this program are available until expended.

There are currently 70 schools that are on military bases and serve a large number of students whose parents are in the armed forces. Either the Department of Defense (DoD) or LEAs operate these ED-owned schools. Since 1983, DoD has assumed financial responsibility for maintenance and renovation for the majority of these school facilities, which DoD operates as Domestic Dependents Elementary and Secondary Schools (DDESSs, formerly "section 6" schools). The DoD is currently responsible for 46 of these facilities while ED continues to be directly responsible for the 24 other school facilities, which LEAs operate and use to educate military dependent students.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2004.....	\$7,901
2005.....	7,838
2006.....	4,950
2007.....	4,950
2008.....	4,864

## IMPACT AID

### Facilities maintenance

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#### FY 2009 BUDGET REQUEST

For 2009, the Administration requests \$4.864 million for Facilities Maintenance, the same as the 2008 level. These funds would be used to upgrade and transfer school facilities currently owned by ED to local educational agencies (LEAs), which can manage school buildings in their communities more effectively than can the Federal Government. In addition, funds would be used to provide emergency repairs, such as correcting health and safety hazards, in school facilities owned by ED that have not yet been transferred.

In FY 2008, The Department completed the transfer of titles to 13 facilities that the Department of Defense operates as Domestic Dependents Elementary and Secondary Schools to DoD at no cost to ED; the Department is in the final stages of transferring the titles to the remaining 46 facilities.

Of the 24 schools for which ED will continue to be responsible:

- Two of the school facilities for which ED is responsible are located on military bases that have been closed. ED plans to transfer these schools to DoD or to local school authorities, whichever is consistent with local communities' plans for redevelopment. In some previous transfers related to base closure, however, the military branch owning the underlying land identified environmental problems at the sites and refused to accept the properties until these environmental problems were corrected.
- LEAs operate the 22 remaining school facilities. In many instances, these facilities are deteriorated, overcrowded, or otherwise do not meet current standards. Most LEAs are unwilling to accept the schools unless ED provides sufficient funds to the LEA to correct the problems.

The estimated total cost for repairs and renovations to all 24 schools is approximately \$48 million, a per-school cost of approximately \$2 million.

The Facilities Maintenance program is authorized by the Elementary and Secondary Education Act of 1965 and is, therefore, subject to reauthorization this year. The Administration has not proposed changes to this authority.

#### PROGRAM OUTPUT MEASURES

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of properties receiving emergency repairs	1	2	2
Number of facilities transferred	2	6	4

## IMPACT AID

### Facilities maintenance

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#### PROGRAM PERFORMANCE INFORMATION

The Department's measure of progress for this program has been the number of schools removed from the inventory of ED-owned facilities. Since 1999, the number of schools for which the Department is responsible has decreased by 58 percent, from 53 to 22, thus reducing the Federal Government's responsibility for maintenance and renovation.

## IMPACT AID

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### Construction

(Elementary and Secondary Education Act, Title VIII, section 8007)

FY 2009 Authorization (\$000s): To be determined<sup>1</sup>

Budget Authority (\$000s):

<u>2008</u>	<u>2009</u>	<u>Change</u>
\$17,509	\$17,509	0

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<sup>1</sup> The GEPA extension applies through September 30, 2008; reauthorizing legislation is sought.

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### PROGRAM DESCRIPTION

Section 8007 authorizes both formula and competitive grants to support school construction in local educational agencies (LEAs) that educate federally connected students or have federally owned land. The authorizing law provides that 40 percent of appropriated funds must be used for formula grants under section 8007(a), and 60 percent for competitive grants under section 8007(b). However, the fiscal years 2006 and 2007 appropriations provided funding only for the formula grants and, in 2008, the Congress appropriated funds only for the competitive grants.

#### Formula grants (section 8007(a))

Three categories of LEAs are eligible for formula Construction grants:

- those in which the number of students living on Indian lands is at least 50 percent of average daily attendance and that receive a regular Basic Support Payment;
- those in which the number of students with a parent in the uniformed services is at least 50 percent of average daily attendance and that receive a regular Basic Support Payment; and
- those that receive Basic Support Payments for Heavily Impacted LEAs.

One-half of the formula funds are paid to eligible LEAs on behalf of students residing on Indian lands and one-half are paid to eligible LEAs on behalf of students whose parents are in the uniformed services. Payments are determined by ratably distributing the available funds among eligible LEAs according to the relative weighted count of federally connected students in average daily attendance, as specified in the regular Basic Support Payments formula.

#### Competitive grants (section 8007(b))

The first competitive construction awards under this authority were made from fiscal year 2002 funds. The authorizing statute establishes the following priorities for awarding these grants:

## IMPACT AID

### Construction

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First priority is given to emergency grants for “heavily impacted” school districts and school districts with little or no bonding capacity that receive Impact Aid Construction formula grants.

Second in priority are emergency grants for:

- school districts that: (1) have at least 40 percent federally connected students residing on Indian lands or 40 percent federally connected military students; (2) are at 75 percent or more of their limit of bonded indebtedness; and (3) have an equalized assessed value of property per student that is below the State average, and
- schools that: (1) are not inside an LEA that would otherwise be eligible for an emergency Construction grant; (2) have at least 40 percent federally connected students residing on Indian lands or 40 percent federally connected military students; and (3) are inside an LEA that is at 75 percent or more of its limit of bonded indebtedness and has an equalized assessed value of property per student that is below the State average.

Third in priority are modernization grants for school districts that: (1) receive any type of Impact Aid payment; (2) are either “heavily impacted” or have little or no bonding capacity; and (3) have school facility needs resulting from the presence of the Federal Government.

Fourth in priority are modernization grants for:

- school districts that either: (1) have at least 40 percent federally connected students residing on Indian lands or 40 percent federally connected military students; (2) are at 75 percent or more of their limit of bonded indebtedness; and (3) have an equalized assessed value of property per student that is below the State average; or (1) receive an Impact Aid Payment for Federal Property; (2) are at 75 percent or more of their limit of bonded indebtedness; and (3) have an equalized assessed value of property per student that is below the State average, and
- schools that: (1) are not inside an LEA that would otherwise be eligible for a modernization grant; (2) have at least 40 percent federally connected students residing on Indian lands or 40 percent federally connected military students; and (3) are inside an LEA that is at 75 percent or more of its limit of bonded indebtedness and has an equalized assessed value of property per student that is below the State average.

Construction funds are awarded on a competitive basis under the four priorities listed above. Within each of the four priorities, grants are awarded based on:

- the LEA’s level of bonded indebtedness,
- the assessed value of real property per student in the LEA compared to the average assessed value of real property per student in the State,
- the tax rate for school purposes in the LEA compared to the average rate in the State,
- funds available for capital expenditures,
- the percentage of property that is not taxable due to a Federal presence, and

## IMPACT AID

### Construction

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- the number and percentage of certain types of federally connected students.

In addition, emergency grants are awarded in part based on severity of emergency, and modernization grants are awarded in part based on the severity of the need for modernization.

Competitive grant funds for certain LEAs may not exceed (1) 50 percent of the total cost of the project assisted, or (2) \$4 million during any 4-year period. Since 2002, competitive grants have only been awarded to districts under the first priority. When the appropriation for Construction has included funding for competitive grants, funds have been made available for 2 years.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2004.....	\$45,936
2005.....	48,544
2006.....	17,820
2007.....	17,820
2008.....	17,509

### FY 2009 BUDGET REQUEST

For fiscal year 2009, the Administration requests \$17.5 million for Construction, the same as the 2008 level, which would be entirely for competitive grants and would be available for 2 years.

Because school construction is primarily financed from local funds, and because federally affected local educational agencies (LEAs) cannot tax certain lands, LEAs with large percentages of federally connected students need supplemental funds for construction. The competitive grants enable eligible districts to undertake emergency renovations and modernizations. Past projects have included replacement of elementary schools; purchase of water filtration systems; replacement of heating, ventilation, and air conditioning systems; repair of electrical systems; and replacement of faulty windows and roofs. Although, at the current and requested funding level, only a small number of LEAs would receive grants, each grant enables the grantee to complete the proposed project and, thus, meet its emergency repair needs. In addition, because the eligibility pool is limited to some of the poorest districts in the Nation, which are heavily dependent on Federal funding for their operating and maintenance expenses, the program is well targeted.

The Impact Aid Construction program is authorized by the Elementary and Secondary Education Act of 1965 and is, therefore, subject to reauthorization this year. The budget request assumes that the program will be implemented in fiscal year 2009 under reauthorized legislation, and the request is based on the Administration's reauthorization proposal, which eliminates the formula grants component of the program.

## IMPACT AID

### Construction

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#### PROGRAM OUTPUT MEASURES

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Formula grants	\$17,820,000	0	0
Number of LEAs receiving formula payments	171	0	0
Average payment per student	\$141	0	0
Average LEA payment	\$104,211	0	0
Competitive grants	0	\$17,508,685	\$17,509,000
Number of LEAs receiving competitive awards	0	15-20	15-20
Range of payments	0	\$20,000-3,000,000	\$20,000-3,000,000
Peer review of new award applications	0	\$20,000	\$20,000

#### PROGRAM PERFORMANCE INFORMATION

##### Performance measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program.

**Goal: To provide appropriate financial assistance for federally connected children who present a genuine burden to their school districts.**

**Objective:** *Improve the quality of public school facilities used to educate federally connected children.*

## IMPACT AID

### Construction

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<b>Measure:</b> The percentage of participating LEAs reporting that the overall condition of their school buildings is adequate.		
Year	Target	Actual
2004	70	54
2005	70	52
2006	58	55
2007	61	65
2008	65	

**Assessment of progress:** LEAs that received construction formula payments in the previous year are asked to rate the quality of their buildings on a 6-point scale in their application for Basic Support payments. The percentage of such LEAs reporting adequate or better conditions increased to 65 percent in 2007, meeting the 2007 target. The annual targets were originally set at the long-term goal of 70 percent, but were adjusted starting in 2006, to reflect the baseline data. Long-term targets may need to be adjusted again as a result of the Department's proposal to fund only competitive grants. Data are not shown for 2009 because no funds are requested for formula grants.

<b>Measure:</b> The average number of days elapsed between the initial Impact Aid competitive construction award and the LEAs' awarding of contracts.		
Year	Target	Actual
2005		
2006	N/A	N/A
2007	250	N/A
2008	250	
2009	250	

**Assessment of progress:** This is a new performance measure that will measure the speed with which LEAs award construction contracts after the Department makes the initial competitive construction award announcements. There are no data for 2006 and 2007 because the competitive grant program was not funded in those years. Targets for 2008 and 2009 have been set for 250 days, and data will begin to be available once the first competitive grant awards are made in 2009.

### Efficiency measures

<b>Measure:</b> The percentage of all formula construction payments made by July 31 of the application year.		
Year	Target	Actual
2006		0
2007	30	94
2008	50	

**Assessment of progress:** In prior years, formula payments were not made until the end of the



## IMPACT AID

### Construction

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fiscal year. The Department intends to make awards earlier in the year so that LEAs will have access to funds during the summer, when most construction projects take place. The short-term target for 2007 was to make 30 percent of the formula payments by the end of July, while the long-term target is to reach 90 percent by the end of July for fiscal year 2010. As a baseline, the Department did not award any fiscal year 2006 payments by July 31, but did make 95 percent by the end of August. For 2007, the target was met as 94 percent of the formula grant awards were made by July 31. Data are not shown for 2009 because no funding is requested for formula grants.

### Follow-up on PART Findings and Recommendations

The Impact Aid Construction program underwent a PART review in 2005 and received an “Adequate” rating. The follow-up actions were to report data on the newly developed annual performance measures, demonstrate improved efficiencies by making competitive awards in a more timely manner, and, as data become available, refine long-term measures to better reflect the goals of the program. In response to the PART findings, the Department has begun the process of compiling and reporting data for new performance and efficiency measures. Because Congress did not appropriate funds for the competitive program in fiscal years 2006 and 2007, the Department has not been able to demonstrate improved efficiencies in making these grants.

The PART improvement plan recommendations are presented below, followed by a description of the Department’s actions to address them.

- *Report actual data on annual performance measures and show progress meeting the targets.* Data for one of the two annual performance measures will be delayed for at least 2 years because competitive grants were not funded in FY 2006 or FY 2007.
- *Demonstrate improved efficiencies in making competitive awards in a more timely manner.* The Department created a new performance measure to track the efficiency and timeliness of making competitive grants and data reporting was to begin in 2006, but the competitive grants program was not funded in FY 2006 or FY 2007.
- *As data become available for the long-term and annual performance measures, refine measures so that they better reflect the goals of the program.* Two of the current measures are specific to either the formula or the competitive grants program and, since FY 2006, only one or the other has been funded. The Department will establish a new baseline and targets for the competitive grants performance measure once the first awards are made in FY 2009. A new performance measure will be created to replace the existing measure specific to the formula grants if the formula program is not included in the upcoming reauthorization.
- *Improve oversight practices by adding site visits to the current monitoring system.* While the program currently tracks grantee progress through a system that includes reviews of project contracts, phone monitoring, and tracking of award disbursements, actual site visits have been lacking. On a recent trip to Alaska, the program office identified at least one project where the discretionary funds were used for activities outside the scope of the funded

## IMPACT AID

### Construction

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project, clearly demonstrating the value of on-site monitoring. The Department, therefore, plans to make site visits to as many as three States in 2008.

- *Improve competitive grant application process by requiring more rigorous budget information as well as an environmental impact study.* Project budgets submitted as part of the application process have not been sufficiently detailed in the past, resulting in difficulties in matching grant amounts with reliable estimates of all the associated project costs. Beginning in 2008, the Department will require that applications include an environmental impact study, in order to help to ensure that proposed sites for construction are appropriate, as well as more detailed project budgets that include estimates for planning and design phases.

## IMPACT AID

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### Payments for Federal property

(Elementary and Secondary Education Act, Title VIII, section 8002)

FY 2009 Authorization (\$000s): To be determined <sup>1</sup>

Budget Authority (\$000s):

<u>2008</u>	<u>2009</u>	<u>Change</u>
\$64,208	\$64,208	0

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<sup>1</sup> The GEPA extension applies through September 30, 2008; reauthorizing legislation is sought.

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### PROGRAM DESCRIPTION

Payments for Federal Property are provided to partially compensate certain local educational agencies (LEAs) for revenue lost due to the removal of Federal property from local tax rolls. The Department makes Payments for Federal Property under section 8002(b) to LEAs that have had a loss of tax base of at least 10 percent of assessed value due to the acquisition, since 1938, of real property by the United States Government.

If the payment authority were fully funded, the formula would provide payments by multiplying the current levied local real property tax rate of the LEA (or, in financially dependent school districts, an imputed real property tax rate) by the current aggregate assessed value of the Federal property, as determined by the local tax assessor, based on the highest and best use of adjacent property.

The payment authority, however, has not been fully funded in recent years. When full funding is not provided, payments are based on a “hold-harmless” formula designed to preserve historic funding levels for individual LEAs.

- First, a “foundation payment” is made to LEAs that were eligible (or later deemed by statute to be eligible) for a section 8002 payment for any fiscal year from 1989 to 1994 that is equal to 38 percent of the maximum payment for which they were eligible for 1994 (or, for LEAs not eligible in 1994, the latest year for which they were eligible).
- Second, payments are made to 1995 grant recipients (and LEAs determined by statute to have filed a timely application for 1995) in amounts equal to the product of (1) the difference between the appropriation level in 1995 and the total amount of foundation payments in the current year and (2) the LEA’s pro-rata share of the assessed value of eligible Federal property for fiscal year 1995.
- Third, a special payment is made to the Highland Falls, New York LEA.
- Fourth, 25 percent of the remaining funds is distributed based on pro-rata shares of the foundation payments under the first step, and 75 percent is distributed based on pro-rata shares of maximum payments for the current year.

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Payments for Federal Property may not exceed either of two different caps placed on these payments. The first cap limits these payments to an LEA's maximum regular Basic Support Payment or the maximum Payment for Federal Property, whichever is greater. The second cap reduces the payment in the event that the combination of the calculated payment and any revenue the LEA received from the Federal property exceeds the maximum payment. In the event that funds are reduced due to either of these caps and the formula is subject to the hold-harmless provisions, the reduced funds are redistributed under the fourth payment step.

Funding levels for the past 5 fiscal years were as follows:

	(\$000s)
2004.....	\$61,634
2005.....	62,496
2006.....	64,350
2007.....	64,350
2008.....	64,208

### FY 2009 BUDGET REQUEST

For 2009, the Administration requests level funding, approximately \$64.2 million, for Payments for Federal Property. This authority provides payments to LEAs in which real property owned by the Federal Government generally represents 10 percent or more of the assessed value of real property in the LEA and, thus, the removal of this property from the tax rolls has a significant impact on the ability of the district to raise money for education. The request level should provide sufficient funding to enable LEAs to overcome the loss of property tax revenues.

The Payments for Federal Property program is authorized by the Elementary and Secondary Education Act of 1965 and is, therefore, subject to reauthorization this year. The budget request assumes that the program will be implemented in fiscal year 2009 under reauthorized legislation. The Administration's reauthorization proposal would simplify the payment formula, eliminate provisions that continue payments to LEAs that no longer meet the regular eligibility requirements, and delete other special eligibility and payment provisions that have been inserted for individual districts. These changes, in addition to simplifying the formula and payment criteria, would improve the program by making it more responsive to the needs of the LEAs affected by a significant removal of property from the tax rolls as a result of Federal activity.

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#### PROGRAM OUTPUT MEASURES

	<u>2007</u>	<u>2008</u>	<u>2009</u>
Number of LEAs receiving payments	220	220	170 <sup>1</sup>
Average payment	\$292,500	\$291,856	\$377,694 <sup>1</sup>
Range of payments	\$500- 6,000,000	\$500- 6,000,000	\$600- <sup>1</sup> 7,000,000

<sup>1</sup> FY 2009 estimates are based on the Administration's reauthorization proposal.

#### PROGRAM PERFORMANCE INFORMATION

##### Performance measures

This section presents selected program performance information, including, for example, GPRA goals, objectives, measures, and performance targets and data; and an assessment of the progress made toward achieving program results. Achievement of program results is based on the cumulative effect of the resources provided in previous years and those requested in FY 2009 and future years, and the resources and efforts invested by those served by this program.

**Goal: To provide appropriate financial assistance for federally connected children who present a genuine burden to their school districts.**

**Objective:** *Manage Section 8002 Payments for Federal Property to disburse funds accurately and efficiently under the statutory formula.*

<b>Measure:</b> The percentage of eligible Section 8002 applicants reviewed during the year.		
Year	Target	Actual
<b>2004</b>		15.7
<b>2005</b>		17.6
<b>2006</b>	33	27.0
<b>2007</b>	33	
<b>2008</b>	33	
<b>2009</b>	33	

**Assessment of progress:** The goal for this measure is for the Department to review and verify assessed values for one third of all applicants each year. The target was not met in 2006 but the Impact Aid program staff did complete reviews of 27 percent of the eligible applicants for FY 2006, a significant increase over the previous 2 years.

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<b>Measure:</b> The percentage of initial payments to eligible LEAs that are made by the end of the second quarter.		
Year	Target	Actual
2004		24
2005		57
2006	75	1.5
2007	75	62
2008	75	
2009	75	

**Assessment of progress:** The long-term goal for the second measure is to make 75 percent of initial payments to eligible LEAs by the end of the second quarter. Although the target has not been met, major progress was made in 2007.

#### Follow-up on PART Findings and Recommendations

The Payments for Federal Property program was among programs reviewed in 2004 with the Program Assessment Rating Tool (PART). The PART review rated the program "Results Not Demonstrated," and highlighted some key program strengths and weaknesses. For example, the PART acknowledged that the program had adequate financial management and improved efficiencies but noted that it lacked annual and long-term performance measures and that the Department had not sought an external review to determine the overall effectiveness of the program. The follow-up actions recommended in the review were to develop performance and efficiency measures and continue the development of a model for estimating the effectiveness of the program in delivering an appropriate amount of assistance to federally affected school districts. More recently, two new follow-up actions were added: to develop annual and long-term performance measures and, through the Elementary and Secondary Education Act reauthorization, to develop legislative proposals to correct any structural flaws in the program.

In response to the PART findings, the Department created the two performance measures described above to track the efficiency of the program and is working on the development of long-term performance measures. The Administration's reauthorization proposals for this program are discussed above.

The PART improvement plan recommendations are presented below, followed by a description of the Department's actions to address them.

- *Arrange for an econometric analysis, by a contractor, of the Section 8002 formula.* In 2007, the Department contracted for a study that examined the financial burdens that school districts face due to a Federal presence and how well targeted Impact Aid funds are to those affected school districts. Additional work will be completed in 2008. Depending on availability of data, the Department will try to go forward with analysis specific to the Payments for Federal Property formula in 2009.

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- *Develop annual and long-term performance measures.* The Department plans to develop new performance measures in conjunction with an analysis of the formula to be carried out in 2009.
- *Work with Congress during the NCLB reauthorization to correct structural flaws in the program.* The Department has developed legislative proposals to correct the structural flaws in the program.

## IMPACT AID

### Basic Support Payments

State or Other Area	2007 Actual	2008 Estimate	2009 Estimate	Change from 2008 Estimate
Alabama	2,599,802	3,642,167	3,631,245	(10,922)
Alaska	98,863,770	105,216,556	107,594,868	2,378,312
Arizona	151,832,864	158,972,576	137,443,189	(21,529,387)
Arkansas	407,311	563,585	611,520	47,935
California	49,942,102	61,224,366	63,982,266	2,757,900
Colorado	12,168,184	21,466,902	22,293,923	827,021
Connecticut	4,628,211	6,405,658	8,909,881	2,504,223
Delaware	52,594	72,791	98,786	25,995
District of Columbia	1,282,738	2,145,074	2,779,084	634,010
Florida	7,493,165	10,371,488	11,265,343	893,855
Georgia	19,118,485	21,662,930	22,114,277	451,347
Hawaii	36,409,177	50,383,101	58,135,341	7,752,240
Idaho	5,952,483	7,287,200	6,448,471	(838,729)
Illinois	17,975,442	18,842,537	17,776,433	(1,066,104)
Indiana	141,925	196,518	266,699	70,181
Iowa	528,772	731,876	898,770	166,894
Kansas	19,955,545	21,630,201	21,008,263	(621,938)
Kentucky	490,689	682,641	822,536	139,895
Louisiana	6,862,610	8,929,951	10,595,331	1,665,380
Maine	2,364,554	2,828,826	3,394,527	565,701
Maryland	3,236,223	4,495,746	10,826,673	6,330,927
Massachusetts	584,027	809,031	1,097,956	288,925
Michigan	3,279,493	4,295,021	5,266,841	971,820
Minnesota	13,419,277	15,196,798	16,312,802	1,116,004
Mississippi	1,765,671	2,443,658	2,342,103	(101,555)
Missouri	20,950,554	22,095,733	20,070,755	(2,024,978)
Montana	37,136,835	40,225,481	39,766,922	(458,559)
Nebraska	17,956,571	18,750,733	17,489,154	(1,261,579)
Nevada	2,597,120	3,934,894	4,935,743	1,000,849
New Hampshire	11,989	16,593	22,519	5,926
New Jersey	12,624,345	13,909,861	14,247,974	338,113
New Mexico	71,161,500	83,864,627	74,390,985	(9,473,642)
New York	13,070,545	17,633,913	20,733,963	3,100,050
North Carolina	11,696,196	16,216,686	17,575,002	1,358,316
North Dakota	26,408,381	27,487,090	24,444,345	(3,042,745)
Ohio	2,004,169	2,773,999	3,764,660	990,661
Oklahoma	33,358,300	45,555,499	42,831,084	(2,724,415)
Oregon	1,945,976	3,266,594	4,267,457	1,000,863
Pennsylvania	1,179,163	1,686,798	2,289,194	602,396
Rhode Island	1,603,211	2,229,519	3,025,734	796,215
South Carolina	2,012,752	2,786,003	3,284,927	498,924
South Dakota	42,636,893	44,634,540	39,617,513	(5,017,027)
Tennessee	2,812,228	3,923,107	3,986,769	63,662
Texas	84,150,345	88,347,030	82,208,747	(6,138,283)
Utah	8,079,504	10,450,772	8,883,156	(1,567,616)
Vermont	8,313	11,517	15,631	4,114
Virginia	31,932,445	44,296,086	58,822,153	14,526,067
Washington	47,441,076	56,749,418	57,029,219	279,801
West Virginia	25,966	35,937	48,771	12,834
Wisconsin	10,553,679	12,985,773	14,558,695	1,572,922
Wyoming	9,122,272	9,537,008	9,852,455	315,447
American Samoa	0	0	0	0
Guam	51,365	71,187	64,614	(6,573)
Northern Mariana Islands	0	0	0	0
Puerto Rico	982,745	1,360,129	1,156,109	(204,020)
Virgin Islands	145,354	201,171	233,622	32,451
Freely Associated States	0	0	0	0
Indian set-aside	0	0	0	0
Other (non-State allocations)	136,852,134	0	0	0
<b>Total</b>	<b>1,091,867,040</b>	<b>1,105,534,896</b>	<b>1,105,535,000</b>	<b>104</b>



## IMPACT AID

### Payments for Children with Disabilities

State or Other Area	2007 Actual	2008 Estimate	2009 Estimate	Change from 2008 Estimate
Alabama	134,046	164,060	164,061	1
Alaska	2,303,681	2,852,400	2,852,410	10
Arizona	4,207,500	5,152,332	5,152,349	17
Arkansas	108,666	133,015	133,016	1
California	3,195,091	3,957,306	3,957,319	13
Colorado	705,043	867,969	867,973	4
Connecticut	192,987	236,230	236,231	1
Delaware	21,141	25,878	25,878	0
District of Columbia	14,247	20,744	20,744	0
Florida	1,273,104	1,558,339	1,558,345	6
Georgia	806,094	986,679	986,683	4
Hawaii	1,246,752	1,526,105	1,526,110	5
Idaho	276,372	338,294	338,295	1
Illinois	317,259	388,326	388,328	2
Indiana	0	0	0	0
Iowa	28,647	35,066	35,066	0
Kansas	630,450	771,706	771,709	3
Kentucky	94,185	115,311	115,312	1
Louisiana	390,591	478,106	478,108	2
Maine	134,757	164,947	164,948	1
Maryland	477,747	584,770	584,772	2
Massachusetts	53,127	65,026	65,026	0
Michigan	199,022	244,327	244,328	1
Minnesota	630,049	771,904	771,907	3
Mississippi	162,972	199,457	199,457	0
Missouri	399,713	489,531	489,532	1
Montana	1,180,282	1,447,038	1,447,043	5
Nebraska	455,076	553,306	553,308	2
Nevada	249,300	305,150	305,151	1
New Hampshire	0	0	0	0
New Jersey	304,353	372,517	372,519	2
New Mexico	2,764,638	3,384,115	3,384,126	11
New York	247,250	309,127	309,129	2
North Carolina	1,112,877	1,362,232	1,362,237	5
North Dakota	680,082	834,424	834,427	3
Ohio	152,604	186,793	186,794	1
Oklahoma	2,557,880	3,133,441	3,133,452	11
Oregon	141,687	173,430	173,430	0
Pennsylvania	27,504	33,661	33,662	1
Rhode Island	76,113	93,157	93,157	0
South Carolina	318,240	389,538	389,539	1
South Dakota	1,321,173	1,617,212	1,617,218	6
Tennessee	294,840	360,889	360,890	1
Texas	2,746,746	3,362,157	3,362,169	12
Utah	472,023	577,780	577,782	2
Vermont	0	0	0	0
Virginia	3,370,419	4,125,574	4,125,587	13
Washington	2,050,615	2,511,534	2,511,543	9
West Virginia	4,995	6,109	6,109	0
Wisconsin	779,130	953,712	953,715	3
Wyoming	311,346	381,105	381,106	1
American Samoa	0	0	0	0
Guam	0	0	0	0
Northern Mariana Islands	0	0	0	0
Puerto Rico	0	0	0	0
Virgin Islands	0	0	0	0
Freely Associated States	0	0	0	0
Indian set-aside	0	0	0	0
Other (non-State allocations)	9,843,924	0	0	0
<b>Total</b>	<b>49,466,340</b>	<b>48,601,829</b>	<b>48,602,000</b>	<b>171</b>

## IMPACT AID

### Construction

State or Other Area	2007 Actual	2008 Estimate	2009 Estimate	Change from 2008 Estimate
Alabama	0	0	0	0
Alaska	1,859,659	0	0	0
Arizona	3,169,395	0	0	0
Arkansas	0	0	0	0
California	499,275	0	0	0
Colorado	423,179	0	0	0
Connecticut	0	0	0	0
Delaware	0	0	0	0
District of Columbia	0	0	0	0
Florida	0	0	0	0
Georgia	350,219	0	0	0
Hawaii	0	0	0	0
Idaho	35,921	0	0	0
Illinois	388,852	0	0	0
Indiana	0	0	0	0
Iowa	0	0	0	0
Kansas	634,615	0	0	0
Kentucky	0	0	0	0
Louisiana	70,296	0	0	0
Maine	24,405	0	0	0
Maryland	0	0	0	0
Massachusetts	0	0	0	0
Michigan	10,580	0	0	0
Minnesota	183,541	0	0	0
Mississippi	0	0	0	0
Missouri	440,658	0	0	0
Montana	680,429	0	0	0
Nebraska	275,390	0	0	0
Nevada	0	0	0	0
New Hampshire	0	0	0	0
New Jersey	166,716	0	0	0
New Mexico	864,975	0	0	0
New York	216,404	0	0	0
North Carolina	0	0	0	0
North Dakota	506,281	0	0	0
Ohio	0	0	0	0
Oklahoma	26,018	0	0	0
Oregon	0	0	0	0
Pennsylvania	0	0	0	0
Rhode Island	0	0	0	0
South Carolina	0	0	0	0
South Dakota	702,137	0	0	0
Tennessee	0	0	0	0
Texas	2,056,512	0	0	0
Utah	8,010	0	0	0
Vermont	0	0	0	0
Virginia	0	0	0	0
Washington	531,353	0	0	0
West Virginia	0	0	0	0
Wisconsin	48,681	0	0	0
Wyoming	172,738	0	0	0
American Samoa	0	0	0	0
Guam	0	0	0	0
Northern Mariana Islands	0	0	0	0
Puerto Rico	0	0	0	0
Virgin Islands	0	0	0	0
Freely Associated States	0	0	0	0
Indian set-aside	0	0	0	0
Other (non-State allocations)	3,473,761	17,508,685	17,509,000	0
<b>Total</b>	<b>17,820,000</b>	<b>17,508,685</b>	<b>17,509,000</b>	<b>0</b>