

Archived Information

Department of Education

IMPACT AID

Fiscal Year 2008 Budget Request

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For carrying out programs of financial assistance to federally affected schools authorized by title VIII of the Elementary and Secondary Education Act of 1965, \$1,228,100,000, of which \$1,091,867,000 shall be for basic support payments under section 8003(b), \$49,466,000 shall be for payments for children with disabilities under section 8003(d),¹ \$17,820,000 shall be for construction under section 8007(b) and shall remain available through September 30, 2009,² \$64,350,000 shall be for Federal property payments under section 8002,³ and \$4,597,000, to remain available until expended, shall be for facilities maintenance under section 8008:⁴

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, 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.⁵

NOTES

A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.

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.

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Analysis of Language Provisions and Changes

Language Provision	Explanation
<p>¹ <u>...\$1,228,100,000, of which \$1,091,867,000 shall be for basic support payments under section 8003(b), \$49,466,000 shall be for payments for children with disabilities under section 8003(d)...</u></p>	<p>This language specifies funding levels for basic support payments and payments for children with disabilities.</p>
<p>² <u>...\$17,820,000 shall be for construction under section 8007(b) and shall remain available through September 30, 2009,...</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.</p>
<p>³ <u>...\$64,350,000 shall be for Federal property payments under section 8002...</u></p>	<p>This language specifies the amount for Federal property payments.</p>
<p>⁴ <u>...\$4,597,000, to remain available until expended, shall be for facilities maintenance under section 8008:...</u></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>⁵ <u>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, 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.</u></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>

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

	2006	2007	2008
Discretionary appropriation:			
Appropriation	\$1,240,862	0	\$1,228,100
Across-the-board reduction	-12,409	0	0
CR annual rate	<u>0</u>	<u>\$1,256,917</u>	<u>0</u>
Subtotal, discretionary appropriation	1,228,453	1,256,917	1,228,100
Unobligated balance, start of year	34,569	6,105	6,105
Recovery of prior-year obligations	2	0	0
Unobligated balance, end of year	<u>-6,105</u>	<u>-6,105</u>	<u>-6,105</u>
Total, direct obligations	1,256,919	1,256,917	1,228,100

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Obligations by Object Classification
(\$000s)

	2006	2007	2008
Contractual services and supplies:			
Peer review	\$10	0	\$20
Other services	0	\$153	0
Purchases of goods and services from			
Government accounts	<u>34</u>	<u>100</u>	<u>100</u>
Subtotal	44	253	120
Grants	<u>1,256,875</u>	<u>1,256,664</u>	<u>1,227,980</u>
Total, obligations.....	1,256,919	1,256,917	1,228,100

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Summary of Changes
(\$000s)

2007	\$1,256,917
2008	<u>1,228,100</u>
Net change.....	-28,817

	<u>2007 base</u>	<u>Change from base</u>
Decreases:		
<u>Program:</u>		
Decrease in Construction as a result of the continuing resolution generating an artificially high level of funding for FY 2007.	\$46,637	<u>-\$28,817</u>
Net change		-28,817

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

Activity	2007 Authorized	2007 Estimate	2008 Authorized	2008 Request
Payments for federally connected children:				
Basic support payments (<i>ESEA-VIII-8003(b) and (e)</i>)	Indefinite	\$1,091,867	Indefinite ¹	\$1,091,867
Payments for children with disabilities (<i>ESEA-VIII-8003(d)</i>)	Indefinite	49,466	Indefinite ²	49,466
Facilities maintenance: (<i>ESEA-VIII-8008</i>)	Indefinite	4,597	Indefinite ²	4,597
Construction (<i>ESEA-VIII-8007</i>)	Indefinite	46,637 ⁴	Indefinite ^{1,3}	17,820 ⁵
Payments for Federal property (<i>ESEA-VIII-8002</i>)	<u>Indefinite</u>	<u>64,350</u>	<u>Indefinite¹</u>	<u>64,350</u>
Total definite authorization				
Total appropriation (request subject to reauthorization)		1,256,917		
1,228,100				

¹ The GEPA extension applies through September 30, 2008; however, additional authorizing legislation is sought.

² The GEPA extension applies through September 30, 2008; reauthorizing legislation is sought.

³ 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).

⁴ The 2007 estimate is based on appropriations language in 2006 that made Construction funds available for formula payments only.

⁵ The Administration proposes to make all of the Construction funds requested in fiscal year 2008 available for competitive awards only.

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Appropriations History
(\$000s)

	Budget Estimate to Congress	House Allowance	Senate Allowance	Appropriation
1999	\$696,000	\$848,000	\$810,000	\$864,000
2000 Rescission	736,000 0	907,200 0	892,000 0	910,500 -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			1,256,917 ¹
2008	1,228,100			

¹ A regular 2007 appropriation for this account had not been enacted at the time the budget was prepared; therefore, this account is operating under a continuing resolution (P.L. 109-289, Division B, as amended). The amounts included for 2007 in this budget reflect the levels provided by the continuing resolution.

DEPARTMENT OF EDUCATION FISCAL YEAR 2008 PRESIDENT'S BUDGET

(in thousands of dollars)						
Account, Program, and Activity	Category Code	2006 Appropriation	2007 Current Estimate	2008 President's Request	2008 President's Request Compared to 2007 Current Level	
					Amount	Percent
Impact Aid (ESEA VIII)						
1. Payments for federally connected children (section 8003):						
(a) Basic support payments (section 8003(b))	D	1,091,867	1,091,867	1,091,867	0	0.0%
(b) Payments for children with disabilities (section 8003(d))	D	49,466	49,466	49,466	0	0.0%
Subtotal		1,141,333	1,141,333	1,141,333	0	0.0%
2. Facilities maintenance (section 8008)	D	4,950	4,597	4,597	0	0.0%
3. Construction (section 8007)	D	17,820	46,637	17,820	(28,817)	-61.8%
4. Payments for Federal property (section 8002)	D	64,350	64,350	64,350	0	0.0%
Total	D	1,228,453	1,256,917	1,228,100	(28,817)	-2.3%
<i>Outlays</i>	<i>D</i>	<i>1,141,455</i>	<i>1,471,808</i>	<i>1,227,758</i>	<i>(244,050)</i>	<i>-16.6%</i>

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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 \$1.2 billion 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.
- \$49.5 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.
- \$5 million for **Facilities Maintenance**. The Department of Education owns and maintains 33 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.
- \$17.8 million for **Construction** payments to LEAs with the funds 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 LEAs in making emergency renovations and modernizing schools.
- \$64.4 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. For reauthorization, the Department is considering recommendations that 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 policy recommendations are discussed in the individual budget submissions.

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

FY 2008 Authorization (\$000s): Indefinite

Budget Authority (\$000s):

<u>2007</u>	<u>2008</u>	<u>Change</u>
\$1,091,867	\$1,091,867	0

¹ The GEPA extension applies through September 30, 2008; however, additional authorizing legislation is sought.

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

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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 present 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 either 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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- 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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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)
2003.....	\$1,025,292
2004.....	1,063,687
2005.....	1,075,018
2006.....	1,091,867
2007.....	1,091,867

FY 2008 BUDGET REQUEST

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 2008 under reauthorized legislation, and the request is based on the Administration's reauthorization proposal.

For 2008, the Administration requests \$1.1 billion for Basic Support Payments, the same as the 2007 level.

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 64 percent of the projected 2008 full-funding level and maintain the Department’s commitment to over 1 million federally connected students. While LEAs may expend their

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payments either for 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.

For the reauthorization of the Elementary and Secondary Education Act, the Administration is planning to recommend changes to this program that 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 LEAs. The data in the Program Output Measures section of this request show that, in fiscal year 2006, the 28 heavily impacted districts received over 4 times the amount per child as other LEAs in the program. The 9 largest heavily impacted districts received over 10 times the average amount. These payments to heavily impacted districts divert a significant level of funds from the rest of the program. For 2006, that amount was over \$120 million. 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 28 heavily impacted districts in FY 2006, 19 had a LOT of 100 percent, guaranteeing them their maximum payment under the formula. Even without the special provisions, the 28 heavily impacted districts would receive \$2,429 per student in FY 2008, more than double that of the rest of the LEAs.

The Administration's recommendations would 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. Under the proposed changes, 13 of the 28 heavily impacted districts would lose their eligibility in FY 2008 and all but one of the 28 would be held at the 90 percent hold-harmless.

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

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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, which the Administration will propose, will result in more equitable payments.

PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
All eligible LEAs			
Number of LEAs receiving payments	1,261	1,261	1,261
Range of payments	\$95- 49,540,786	\$92- 47,929,139	\$99- 51,368,840
Regular LEAs			
Number of LEAs receiving Payments	1,233	1,251	1,251
Range of payments	\$95- 49,540,786	\$92- 47,929,139	\$99- 51,368,840
Heavily impacted LEAs			
Number of LEAs receiving Payments	28	28	28
Range of payments	\$454,267- 40,427,483	\$463,353- 41,236,033	\$408,840- 36,384,735
Number of federally connected students			
In all eligible LEAs	1,007,165	1,007,165	1,007,165
In regular LEAs	946,149	946,149	946,149
In heavily impacted LEAs	61,016	61,016	61,016
Total payments for students			
In regular LEAs	\$862,541,926	\$857,955,424	\$871,727,366
In heavily impacted LEAs	\$229,325,114	\$233,911,616	\$220,139,634
In heavily impacted LEAs Without hold-harmless ¹	N/A	N/A	\$177,989,052
Average payment per student			
In all LEAs	\$1,084	\$1,084	\$1,084
In regular LEAs	\$912	\$907	\$921
In heavily impacted LEAs	\$3,758	\$3,834	\$3,607
Without hold-harmless ¹	N/A	N/A	\$2,917

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PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Percentage of LEAs by size of payment			
\$1-4,999	6.8%	7.0%	8.0%
\$5,000-49,999	32.7%	32.7%	33.2%
\$50,000-499,999	38.1%	38.4%	36.0%
\$500,000 or more	22.4%	21.9%	22.8%
Total dollar amount of payments by size of payment			
\$1-4,999	\$253,431	\$259,862	\$299,753
\$5,000-49,999	\$9,136,137	\$8,973,911	\$8,874,442
\$50,000-\$499,999	\$90,306,461	\$90,760,781	\$85,406,756
\$500,000 or more	\$992,171,011	\$991,872,486	\$997,286,049
Average payment per child by percentage of federally connected children			
0-19 percent	\$209	\$203	\$209
20-39 percent	\$848	\$825	\$884
40-59 percent	\$2,994	\$2,990	\$3,006
60-79 percent	\$4,394	\$4,480	\$4,282
80 percent or more	\$5,397	\$5,505	\$5,317
Number of students			
“a” students ²	259,827	259,827	259,287
“b” students ³	747,338	747,338	747,338
Total payments			
“a” students ²	\$961,030,646	\$963,210,353	\$959,474,698
“b” students ³	\$130,836,394	\$128,656,687	\$132,392,302
Average payments per child			
“a” students ²	\$3,699	\$3,707	\$3,693
“b” students ³	\$175	\$172	\$177

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PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Cost of fully funding maximum payments	\$1,746,585,241	\$1,781,516,945	\$1,736,796,554

Note: All figures are estimates based on student count and payment data from 2006; FY 2008 estimates are based on a simulation that reflects recommended changes to the funding formula under the reauthorization of the Elementary and Secondary Education Act.

¹ 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, as proposed by the Administration.

² "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).

³ "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 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 2008 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: *Make accurate payments.*

Measure: The number of requests to forgive overpayments of Basic Support Payments.		
Year	Target	Actual
2003	10	3
2004	10	3
2005	10	2
2006	10	4
2007	10	
2008	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

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Basic support payments

improved. In 2006, the number of requests received from LEAs for overpayment forgiveness was well below the target of 10 requests.

Efficiency measures

Measure: The percentage of eligible applicants who receive initial Basic Support Payments within 60 days after the enactment of an appropriation.		
Year	Target	Actual
2003	90	98
2004	90	95
2005	90	94
2006	90	87
2007	90	
2008	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 this increase to the continued enhancements in the Impact Aid data system in conjunction with higher performance monitoring standards. However, the performance target was not met in FY 2006.

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, develop legislative proposals to correct any structural flaws in the program.

In response to the PART review, the Department has contracted for a study of the Impact Aid program that will examine 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. The Department expects that the contractor, working with school finance experts, will deliver an analysis plan in time for a new PART review in 2007. The study will also help in identifying new performance measures for the program. Proposals for reauthorization are discussed above, and the effect of these are shown in the FY 2008 column of Program Output Measures.

IMPACT AID

Payments for children with disabilities

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

FY 2008 Authorization (\$000s): Indefinite ¹

Budget Authority (\$000s):

<u>2007</u>	<u>2008</u>	<u>Change</u>
\$49,466	\$49,466	0

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

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

Funding levels for the past 5 fiscal years were:

	(\$000s)
2003.....	\$50,668
2004.....	50,369
2005.....	49,966
2006.....	49,466
2007.....	49,466

FY 2008 BUDGET REQUEST

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 is currently planning to propose that the program be reauthorized with no significant changes.

For 2008, the Administration requests level funding, approximately \$49.5 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 in recent years. 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 2008, 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.

IMPACT AID

Payments for children with disabilities

PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
School districts			
Number of LEAs receiving payments	902	902	902
Range of payments	\$468- 1,520,897	\$468- 1,520,897	\$468- 1,520,886
Percentage of payments by size of payment			
\$1-4,999	20.2%	20.2%	20.2%
\$5,000-19,999	32.8%	32.8%	32.8%
\$20,000-99,999	33.5%	33.5%	33.5%
\$100,000 or more	13.5%	13.5%	13.5%
Total dollar amount of payments by size of payment			
\$1-4,999	\$461,261	\$461,261	\$461,258
\$5,000-19,999	\$3,197,032	\$3,197,032	\$3,197,010
\$20,000-99,999	\$13,886,613	\$13,886,613	\$13,886,517
\$100,000 or more	\$31,921,434	\$31,921,434	\$31,921,215
Number of "a" students eligible ¹	35,341	35,341	35,341
Number of "b" students eligible ²	<u>22,385</u>	<u>22,385</u>	<u>22,385</u>
Total eligible students	57,726	57,726	57,726
Total funding for "a" students	\$37,568,385	\$37,568,385	\$37,568,127
Total funding for "b" students	\$11,897,955	\$11,897,955	\$11,897,873
Average payment per "a" student	\$1,063	\$1,063	\$1,063
Average payment per "b" student	\$532	\$532	\$532
Average payment per student ³	\$857	\$857	\$857
Average IDEA Grants to States funding per student	<u>\$1,551</u>	<u>\$1,533</u>	<u>\$1,528</u>
Total average Federal funding per student	\$2,408	\$2,390	\$2,385

Note: All figures are estimates based on student count and payment data from 2006.

¹ "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).

² "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).

³ Impact Aid Payments for Children with Disabilities.

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Payments for children with disabilities

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.

IMPACT AID

Facilities maintenance

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

FY 2008 Authorization (\$000s): Indefinite ¹

Budget Authority (\$000s):

	<u>2007</u>	<u>2008</u>	<u>Change</u>
	\$4,597	\$4,597	0

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

PROGRAM DESCRIPTION

Section 8008 authorizes funding for both emergency repairs and 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 92 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 responsibility for maintenance and renovation of 59 of these school facilities, which DoD operates as Domestic Dependents Elementary and Secondary Schools (DDESSs, formerly "section 6" schools). ED continues to be directly responsible for the 33 other school facilities, which LEAs operate and use to educate military dependent students.

Funding levels for the past 5 fiscal years were:

	(\$000s)
2003.....	\$7,948
2004.....	7,901
2005.....	7,838
2006.....	4,950
2007.....	4,597

FY 2008 BUDGET REQUEST

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 is currently planning to propose that the program be reauthorized with no significant changes.

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Facilities maintenance

For 2008, the Administration requests \$4.597 million for Facilities Maintenance, the same as the 2007 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.

The Department is in the final stages of transferring title to the 59 facilities that the Department of Defense operates as Domestic Dependents Elementary and Secondary Schools to DoD at no cost to ED.

Of the 33 schools for which ED continues to be responsible:

- Two of the school facilities that ED operates 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 31 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 33 schools is approximately \$66 million, a per-school cost of approximately \$2 million.

PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of properties receiving emergency repairs	7	2	2
Number of facilities transferred	1	2	2

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 38 percent, from 53 to 33, thus reducing the Federal Government's responsibility for maintenance and renovation.

IMPACT AID

Construction

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

FY 2008 Authorization (\$000s): Indefinite ^{1,2}

Budget Authority (\$000s):

<u>2007</u>	<u>2008</u>	<u>Change</u>
\$46,637	\$17,820	-\$28,817

¹ The GEPA extension applies through September 30, 2008; however, additional authorizing legislation is sought.

² 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).

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 year 2006 appropriations act provided funding only for the formula 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.

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Construction

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:

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,

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- 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
- 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)
2003.....	\$44,708
2004.....	45,936
2005.....	48,544
2006.....	17,820
2007.....	46,637

FY 2008 BUDGET REQUEST

The 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 2008 under reauthorized legislation, and the request is based on the Administration's reauthorization proposal.

For fiscal year 2008, the Administration requests \$17.8 million for Construction, which would be entirely for competitive grants and would be available for 2 years. The requested level is \$28.8 million lower than 2007 continuing resolution rate. However, the 2007 continuing resolution level is artificially high because it is based on the amount of funds obligated during 2006. In 2006, in addition to obligating the 2006 appropriation for formula construction grants, the program also obligated \$28.8 million of the \$45.6 million in construction funds that were provided on a 2-year basis in the 2005 appropriation. The requested level is the same as the amount contained in both the House Committee-passed 2007 bill and the Senate Committee-passed bill (which, like the Administration's proposal, would have provided funding solely for competitive grants).

Because school construction is primarily financed from local funds, and because federally affected LEAs cannot tax certain lands, LEAs with large percentages of federally connected students need supplemental funds for construction. The competitive grants enable eligible

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Construction

districts to undertake emergency renovations and modernizations. Recent 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 only a small number of LEAs receive grants each year, 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 by any measure.

By comparison, the formula grants component of the program is less targeted and much less effective. Grants go to a broader range of LEAs in amounts that are generally insufficient to have much impact on districts' construction and repair needs. In 2006, the average grant was slightly over \$101,000, an amount insufficient to complete a major repair or renovation project. These facts argue for a policy of using limited resources to fund the competitive portion of the program.

For the reauthorization of the Elementary and Secondary Education Act, the Administration will recommend repealing the formula grants portion of the program.

PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Formula grants	\$17,820,000	\$46,636,749 ¹	0
Number of LEAs receiving formula payments	175	175	0
Average payment per student	\$138	\$362	0
Average LEA payment	\$101,829	\$266,513	0
Competitive grants	0	0	\$17,800,000
Number of LEAs receiving competitive awards	0	0	15-20
Range of payments	0	0	\$20,000-3,000,000
Peer review of new award applications	0	0	\$20,000

¹ The 2007 estimate is based on appropriations language in 2006 that made construction funds available for formula payments only.

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Construction

PROGRAM PERFORMANCE INFORMATION

Performance measures

This section presents selected program performance information, including 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 2008 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.*

Measure: The percentage of LEAs reporting that the overall condition of their school buildings is adequate.		
Year	Target	Actual
2003	70	47
2004	70	54
2005	70	52
2006	58	55
2007	61	
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 55 percent in 2006. The annual targets were originally set at the long-term goal of 70 percent, but were adjusted to increase starting in 2006. Long-term targets may need to be adjusted again as a result of the Department's proposal to fund only competitive grants.

Measure: The average number of days elapsed between the initial Impact Aid discretionary construction award and the LEAs' awarding of contracts.		
Year	Target	Actual
2005		
2006	N/A	
2007	250	
2008	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. Data for 2005 will be available as soon as all of the LEAs

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Construction

that received competitive construction grants have awarded contracts. There is no target for 2006 because the discretionary grant program was not funded in that year. Targets for 2007 and 2008 have been set for 250 days.

Efficiency measures

The Department has developed one efficiency measure for this program. That measure is the date by which 90 percent of Impact Aid formula grant awards are made for the application year. In prior years, formula payments were not made until the end of the fiscal year. The Department intends to make awards earlier in the year so LEAs will have access to funds before the summer, when most construction projects take place. The 2006 target was to make 90 percent of the formula payments by the end of July, with targets set 1 month earlier each year until reaching the goal of 90 percent by the end of March by 2010. The target for 2006 was not met as no awards were made by the end of July, but an improvement over 2005 was made. Over 95 percent of the awards were made by the end of August. No funding for formula construction grants is proposed for 2008.

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 discretionary 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 the new performance and efficiency measures.

IMPACT AID

Payments for Federal property

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

FY 2008 Authorization (\$000s): Indefinite ¹

Budget Authority (\$000s):

<u>2007</u>	<u>2008</u>	<u>Change</u>
\$64,350	\$64,350	0

¹ The GEPA extension applies through September 30, 2008; however, additional authorizing legislation is sought.

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 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.

IMPACT AID

Payments for Federal property

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)
2003.....	\$59,610
2004.....	61,634
2005.....	62,496
2006.....	64,350
2007.....	64,350

FY 2008 BUDGET REQUEST

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 2008 under reauthorized legislation, and the request is based on the Administration's reauthorization proposal.

For 2008, the Administration requests level funding, approximately \$64.4 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 request level would provide sufficient funding to enable LEAs to overcome the loss of property tax revenues.

For the reauthorization of the Elementary and Secondary Education Act, the Administration will likely recommend changes to this program that 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 that educate federally connected students.

IMPACT AID

Payments for Federal property

PROGRAM OUTPUT MEASURES

	<u>2006</u>	<u>2007</u>	<u>2008</u>
Number of LEAs receiving payments	190	190	190
Average payment	\$338,684	\$338,684	\$338,684
Range of payments	\$600- 8,000,000	\$600- 8,000,000	\$600- 8,000,000

PROGRAM PERFORMANCE INFORMATION

Performance measures

This section presents selected program performance information, including 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 2008 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.*

Measure: The percentage of eligible Section 8002 applicants reviewed during the year.		
Year	Target	Actual
2003		
2004		15.7
2005		17.6
2006	33.3	27.0
2007	33.3	
2008	33.3	

Assessment of progress: The goal for this measure is 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, an increase over the previous 2 years.

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Payments for Federal property

Measure: 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	70
2007	75	
2008	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, progress has been made in each of the past 2 years.

Follow-up on PART Findings and Recommendations

The Payments for Federal Property program was among programs rated 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. In response to the PART findings, the Department created the two performance measures described above to track the efficiency of the program.

IMPACT AID

Basic Support Payments

State or Other Area	2006 Actual	2007 Estimate	2008 Estimate	Change from 2007 Estimate
Alabama	2,502,854	3,136,983	3,358,673	221,690
Alaska	98,720,285	104,573,345	103,223,715	(1,349,630)
Arizona	152,727,591	158,143,683	155,319,140	(2,824,543)
Arkansas	401,215	498,084	533,830	35,746
California	56,706,167	66,010,054	68,340,981	2,330,927
Colorado	17,524,531	18,632,425	17,244,754	(1,387,671)
Connecticut	3,888,571	4,835,408	5,182,427	347,019
Delaware	56,379	69,992	75,015	5,023
District of Columbia	1,636,686	2,064,447	2,212,605	148,158
Florida	8,467,502	10,643,084	11,239,213	596,129
Georgia	18,906,613	20,382,219	27,420,800	7,038,581
Hawaii	42,851,173	53,205,837	57,024,225	3,818,388
Idaho	6,870,220	7,974,583	8,252,661	278,078
Illinois	18,547,500	19,193,986	17,619,277	(1,574,709)
Indiana	164,735	204,544	219,223	14,679
Iowa	454,653	564,425	604,932	40,507
Kansas	20,933,343	22,026,403	22,040,651	14,248
Kentucky	405,839	503,875	531,317	27,442
Louisiana	10,290,165	12,362,603	13,040,958	678,355
Maine	2,361,109	2,687,524	2,777,624	90,100
Maryland	4,985,547	6,188,257	6,632,365	444,108
Massachusetts	589,706	800,141	857,564	57,423
Michigan	3,731,616	4,343,083	4,597,184	254,101
Minnesota	14,138,924	15,279,100	15,162,850	(116,250)
Mississippi	3,305,049	4,128,438	4,424,721	296,283
Missouri	21,667,832	22,181,259	19,652,178	(2,529,081)
Montana	39,225,592	39,806,191	39,569,844	(236,347)
Nebraska	19,056,515	19,477,516	21,965,952	2,488,436
Nevada	2,834,926	3,839,888	4,075,504	235,616
New Hampshire	9,441	12,423	13,315	892
New Jersey	14,144,124	15,287,843	14,410,896	(876,947)
New Mexico	77,090,738	85,849,044	85,699,313	(149,731)
New York	12,497,256	15,524,074	16,251,934	727,860
North Carolina	12,300,275	15,322,311	16,411,256	1,088,945
North Dakota	27,801,948	28,705,805	25,965,784	(2,740,021)
Ohio	2,282,868	2,833,805	3,037,177	203,372
Oklahoma	33,117,676	41,583,251	40,206,493	(1,376,758)
Oregon	2,075,395	2,576,479	2,761,384	184,905
Pennsylvania	1,001,602	1,269,396	1,360,486	91,090
Rhode Island	1,905,927	2,366,187	2,535,999	169,812
South Carolina	2,011,509	2,983,000	3,166,038	183,038
South Dakota	41,404,914	43,095,616	40,826,884	(2,268,732)
Tennessee	2,371,644	2,944,192	3,141,808	197,616
Texas	78,110,986	81,164,175	73,204,569	(7,959,606)
Utah	7,595,352	9,368,358	9,620,162	251,804
Vermont	9,234	11,476	12,300	824
Virginia	29,860,069	40,195,432	43,072,740	2,877,308
Washington	48,479,882	54,738,133	54,497,464	(240,669)
West Virginia	22,563	30,702	32,906	2,204
Wisconsin	10,532,064	11,699,626	11,843,415	143,789
Wyoming	8,277,643	8,587,265	8,492,685	(94,580)
American Samoa	0	0	0	0
Guam	63,293	78,486	84,119	5,633
Northern Mariana Islands	0	0	0	0
Puerto Rico	1,381,555	1,715,119	1,838,206	123,087
Virgin Islands	121,406	167,465	179,484	12,019
Freely Associated States	0	0	0	0
Indian set-aside	0	0	0	0
Other (non-State allocations)	103,444,838	0	0	0
Total	1,091,867,040	1,091,867,040	1,091,867,000	(40)

IMPACT AID

Payments for Children with Disabilities

State or Other Area	2006 Actual	2007 Estimate	2008 Estimate	Change from 2007 Estimate
Alabama	130,804	150,295	150,294	(1)
Alaska	2,451,872	2,845,858	2,845,838	(20)
Arizona	4,631,555	5,326,855	5,326,818	(37)
Arkansas	99,428	114,254	114,253	(1)
California	3,428,155	3,982,552	3,982,525	(27)
Colorado	713,739	820,233	820,227	(6)
Connecticut	201,891	232,010	232,008	(2)
Delaware	18,102	20,798	20,798	0
District of Columbia	38,554	44,301	44,301	0
Florida	1,366,419	1,635,921	1,635,910	(11)
Georgia	873,589	1,010,939	1,010,932	(7)
Hawaii	1,413,382	1,624,265	1,624,254	(11)
Idaho	289,692	332,906	332,904	(2)
Illinois	384,504	443,317	443,314	(3)
Indiana	0	0	0	0
Iowa	23,736	27,277	27,277	0
Kansas	684,824	786,992	786,987	(5)
Kentucky	86,710	99,632	99,631	(1)
Louisiana	478,549	549,944	549,940	(4)
Maine	146,394	168,632	168,631	(1)
Maryland	710,761	816,783	816,778	(5)
Massachusetts	50,653	58,211	58,211	0
Michigan	217,516	253,297	253,295	(2)
Minnesota	684,935	787,125	787,120	(5)
Mississippi	244,940	281,467	281,465	(2)
Missouri	404,196	465,088	465,085	(3)
Montana	1,197,234	1,376,172	1,376,162	(10)
Nebraska	534,498	615,277	615,273	(4)
Nevada	248,964	576,748	576,744	(4)
New Hampshire	0	0	0	0
New Jersey	336,238	386,403	386,400	(3)
New Mexico	2,957,299	3,456,925	3,456,901	(24)
New York	264,115	307,601	307,599	(2)
North Carolina	1,174,314	1,353,184	1,353,175	(9)
North Dakota	746,438	897,126	897,120	(6)
Ohio	149,582	171,896	171,895	(1)
Oklahoma	2,623,590	3,035,798	3,035,778	(20)
Oregon	147,713	169,754	169,753	(1)
Pennsylvania	35,048	40,273	40,272	(1)
Rhode Island	81,724	93,913	93,912	(1)
South Carolina	309,178	408,402	408,399	(3)
South Dakota	1,318,902	1,515,688	1,515,678	(10)
Tennessee	223,286	259,074	259,073	(1)
Texas	2,985,845	3,486,663	3,486,639	(24)
Utah	432,373	496,883	496,879	(4)
Vermont	0	0	0	0
Virginia	2,983,033	4,096,115	4,096,086	(29)
Washington	2,242,821	2,560,707	2,560,690	(17)
West Virginia	5,819	7,431	7,430	(1)
Wisconsin	763,958	877,928	877,922	(6)
Wyoming	345,830	397,427	397,424	(3)
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)	7,583,638	0	0	0
Total	49,466,340	49,466,340	49,466,000	(340)

IMPACT AID

Construction

State or Other Area	2006 Actual	2007 Estimate	2008 Estimate	Change from 2007 Estimate
Alabama	0	0	0	0
Alaska	2,246,659	6,983,104	0	(6,983,104)
Arizona	3,362,703	10,452,012	0	(10,452,012)
Arkansas	0	0	0	0
California	355,506	1,104,990	0	(1,104,990)
Colorado	437,804	1,360,790	0	(1,360,790)
Connecticut	0	0	0	0
Delaware	0	0	0	0
District of Columbia	0	0	0	0
Florida	0	0	0	0
Georgia	381,108	1,184,566	0	(1,184,566)
Hawaii	0	0	0	0
Idaho	68,319	212,350	0	(212,350)
Illinois	397,260	1,234,770	0	(1,234,770)
Indiana	0	0	0	0
Iowa	0	0	0	0
Kansas	726,459	2,257,992	0	(2,257,992)
Kentucky	0	0	0	0
Louisiana	102,659	319,086	0	(319,086)
Maine	22,880	71,116	0	(71,116)
Maryland	0	0	0	0
Massachusetts	0	0	0	0
Michigan	10,350	32,170	0	(32,170)
Minnesota	191,375	594,835	0	(594,835)
Mississippi	0	0	0	0
Missouri	466,893	1,451,205	0	(1,451,205)
Montana	673,153	2,092,306	0	(2,092,306)
Nebraska	402,220	1,250,187	0	(1,250,187)
Nevada	0	0	0	0
New Hampshire	0	0	0	0
New Jersey	22,922	71,247	0	(71,247)
New Mexico	910,501	2,830,035	0	(2,830,035)
New York	217,229	675,195	0	(675,195)
North Carolina	0	0	0	0
North Dakota	207,688	645,539	0	(645,539)
Ohio	0	0	0	0
Oklahoma	33,552	104,287	0	(104,287)
Oregon	0	0	0	0
Pennsylvania	0	0	0	0
Rhode Island	0	0	0	0
South Carolina	0	0	0	0
South Dakota	764,046	2,374,821	0	(2,374,821)
Tennessee	0	0	0	0
Texas	2,098,367	6,522,180	0	(6,522,180)
Utah	6,833	21,238	0	(21,238)
Vermont	0	0	0	0
Virginia	0	0	0	0
Washington	572,121	1,778,276	0	(1,778,276)
West Virginia	0	0	0	0
Wisconsin	164,519	511,361	0	(511,361)
Wyoming	161,215	501,091	0	(501,091)
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)	2,815,659	0	17,820,000	17,820,000
Total	17,820,000	46,636,749	17,820,000	(28,816,749)