

## IMPACT AID INFORMATION SHEET

- Impact Aid is a federal program that provides revenue to local governmental entities, including school districts, in lieu of property taxes not generated from federal lands contained within their borders.
- These lands include property owned by the U.S. Forest Service, the Bureau of Land Management, the two National Laboratories, Indian Reservations, military bases and any other federally owned property.
- **One hundred percent of federal Impact Aid payments go directly to school districts not to the state.**
- Prior to the enactment of the funding formula, school funding was primarily locally funded with broad differences in wealth among districts causing significant impacts of opportunity. This created a high degree of disequalization among districts.
- Many local school districts across the nation face special challenges — they must provide an education to their children living on Tribal and other Federal lands while many times operating with less local revenue than is available to other school districts. This occurs because Federal property located within the borders of the district is exempt from local property taxes.
- The funding formula has met its goal of equalizing educational opportunity across the state by funding students based on individual need regardless of local wealth or geographical location.
- In order to accomplish this, revenue is accumulated to the State from local governmental entities and re-distributed based on a program cost determined through the Funding Formula. While much of this revenue accumulation is generated through local property taxes, a significant amount related to federally impacted lands is not realized. In order to equalize the resources for all school districts, the formula takes an offset for local resources not collected; in effect creating a fair share contribution from these districts.
- Of the four categories of Impact Aid, the formula only takes credit for the Payment for Federal Property; the other three Impact Aid categories are not affected.

### **The effects of doing away with the Impact Aid Credit**

- New Mexico would, for the first time in 45 years, fund children with similar demographic needs differently depending where in the state they reside, creating winners and losers.
- Pressure would build quickly to revert back to local funding since much more funding is provided by certain districts, particularly those in the oil patch counties and the urban population centers than they receive through the formula. This would result in a number of school districts unable to provide educational programs at current levels. Those that will be most affected will be those districts with large tracts of federal land within their borders.
- The current system of funding education, while not perfect, is much more desirable in that it provides for relatively equal funding for students with similar needs regardless of local wealth or geographical location. A significant concern is that those districts with the lowest achievement levels would also be those with the least local wealth to commit to education. It would be near impossible for the state to implement educational initiatives in these districts due to a lack of resources.
- It is important to remember that districts receiving Impact Aid payments are actually better off with the current formula with its credit provisions as they generate funding above the program cost equal to 25 percent of their Impact Aid Basic Payment. This is considered to be advantageous in providing educational opportunities to children in an equalized environment.

<b>Impact Aid District:</b> A district's program cost is \$107,090,393 and received \$29,456,660 in Federal Impact Aid basic payments. The district would receive \$84,997,898 from the SEG after the 75% credit plus the \$29,456,660 in Impact Aid basic payments for a total of \$114,454,558.	
\$107,090,393	Program Cost
\$29,456,660	Impact Aid Received Directly by the District
(\$22,092,495)	75% Credit Accounted for in the Funding Formula
<b>\$114,454,558</b>	<b>Total amount budgeted in Operational</b>

<b>Non-Impact Aid District:</b> A district's program cost is \$107,090,393 and received \$0.00 in Federal Impact Aid basic payments. The district would receive \$107,090,393 from the SEG for a total of \$107,090,393.	
\$107,090,393	Program Cost
\$0	Impact Aid Received Directly by the District
\$0	75% Credit Accounted for in the Funding Formula
<b>\$107,090,393</b>	<b>Total amount budgeted in Operational</b>

As is demonstrated above, districts receiving Impact Aid result in a more favorable financial position overall than those who do not.

### Two mill Levy

In order to ensure that all school districts had "skin-in-the-game" the funding formula also contains provisions for credit to be taken against a mandatory two mill levy for all districts. While the original levy was mandated to be set at two mills, outside forces such "yield control", a mechanism that limits year-over-year increases to taxpayer bills, have diluted the millage as property values rise and yield control takes effect. The result is that all but four districts have a "half" mill levy that is well below the half mill threshold resulting in almost half of the potential revenue available at two mills not being recognized. This could be corrected by resetting the millage back to two mills or exempting the mandatory half mill levy from the yield control provisions in statute. (See Attachment #1)

### Review of Additional Data

In reviewing all revenue received by school districts from state sources it becomes clear that the operational side continues to serve the state and its students well. Operational funding is well distributed and the formula accounts for the needs of students and school districts while ensuring those districts serving our Native American students receive funding beyond their program cost. A review of capital data on the other hand, suggests that changes could be made to the way capital funding is distributed that would promote the idea of equity for all and ensure those districts that lack the capacity to raise funds through their mill levy would have the opportunity to enjoy similar facility enhancements as more affluent districts.

The state recently enacted a rural population component to the funding formula and it may be appropriate to consider a similar factor in the allocation of capital funds through the Public School Capital Outlay process both for facility funding as well as maintenance funding. This could take the path of reevaluating the adequacy levels for school construction, reducing the state share of capital funding for those districts that choose to build above a designated threshold for adequacy and using the savings realized to fund rural population schools to the same level above adequacy. As the Facility Condition Index throughout the state continues to fall, consideration could be given to significantly increasing SB-9 funding and paring back the uses of SB-9 to return to the original intent of providing funding for maintenance. All of these could be accomplished within existing resources and mitigate the dis-economies of scale that exist in our most rural and impoverished districts.