

## Public School Finance – Impact Aid

Presentation to the Indian Education Advisory Council

Kara Bobroff, Deputy Secretary - Identity, Equity and Transformation

Hipolito J. Aguilar, Educational Consultant

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# Impact Aid

In order to implement the funding formula, a fundamental change in how schools were funded was needed

Rather than allowing school districts to be funded almost entirely through local sources, which varied significantly depending on local wealth and voter desires, revenues are collected by the state

Much of this revenue is generated through local property taxes and with a significant portion of land in New Mexico being federal land; taxes are not generated by these lands

# Impact Aid

- Many local school districts across the United States deal with similar issues because included within their boundaries are parcels of land that are owned by the Federal Government or that have been removed from the local tax rolls by the Federal Government, these include Native American Tribal lands, national laboratories, BLM lands and forest lands among others
- In some states these school districts face special challenges — they must provide an education to the children living on the Tribal and other Federal lands while sometimes operating with less local revenue than is available to other school districts, because the Federal property is exempt from local property taxes

# Impact Aid

- In New Mexico this is mitigated as a result of the equalization components of the funding formula

# Impact Aid

## Program Cost

- Program cost is the total funding a school district is entitled to, to provide an educational program for their students
- Every district and charter school receives an amount annually that, at a minimum, equals its program cost
- Total program cost revenue is made up of the State Equalization Guarantee distribution and 75 percent of revenues received directly by the districts from a required half-mill property tax levy, payments for federal property received in lieu of taxes (Impact Aid) and revenue generated through Forest Reserve funds

# Impact Aid Program Components

## **Payments for Federal Property (Basic Payment, non-categorical)\*\***

- Payments for Federal Property assist local school districts that have lost a portion of their local tax base because of Federal ownership of property

## **Children With Disabilities Payments (Special Education Set Aside)**

- Payments for Children with Disabilities provide additional assistance to school districts that educate federally connected children who are eligible for services under the Individuals with Disabilities Act (IDEA). These payments are in addition to Basic Support Payments and IDEA funds provided on behalf of these children

# Impact Aid Program Components

## Basic Support Payments (Indian Set Aside, non-categorical)

- Payments help local school districts that educate federally connected children. These may be the children of members of the uniformed services, children who reside on Indian lands, children who reside on Federal property or in federally subsidized low-rent housing, and children whose parents work on Federal Property

## Construction Grants

- Construction Grants go to local school districts that educate high percentages of certain federally connected children — both children living on Indian lands and children of members of the uniformed services. These grants help pay for the construction and repair of school buildings

# Impact Aid Program Components

The school district receives all of their Impact Aid payments directly from the federal government. None of these payments flow to the state

## Current State Law

- Section 22-8-25 NMSA 1978
  - Provides that the state use 75% of basic Impact Aid payments, forest reserve, and the 0.5 mill levy as offsets in determining the amount of state aid (SEG) to a school district
  - These offsets are also referred to as credits
  - **No credit is taken for the Indian Add-on, Special Education Add-on and Capital Outlay grants**
  - “Taking credit for Impact aid” means that the state uses 75% of a school district’s Impact Aid basic payment as an offset in the calculation of a school district’s State Equalization Guarantee distribution



## Impact Aid Program Components

- **The Only Impact Aid Dollars Affected by the Funding Formula are the Payments for Federal Property – The Basic Payment**
- **No credit is taken for the Indian Add-on, Special Education Add-on and Capital Outlay grants**

# Impact Aid Program Components

## Federal Law Requirements for Impact Aid and State's Funding Formulas

Federal Law provides the following:

- States meeting stringent requirements established by Congress can take basic impact aid payments into consideration in calculating state aid
  
- The state must meet a 25% disparity requirement and a proportionate requirement in order to qualify

# Examples of the State Equalization Guarantee Calculation Using the Impact Aid Basic Payment Credit

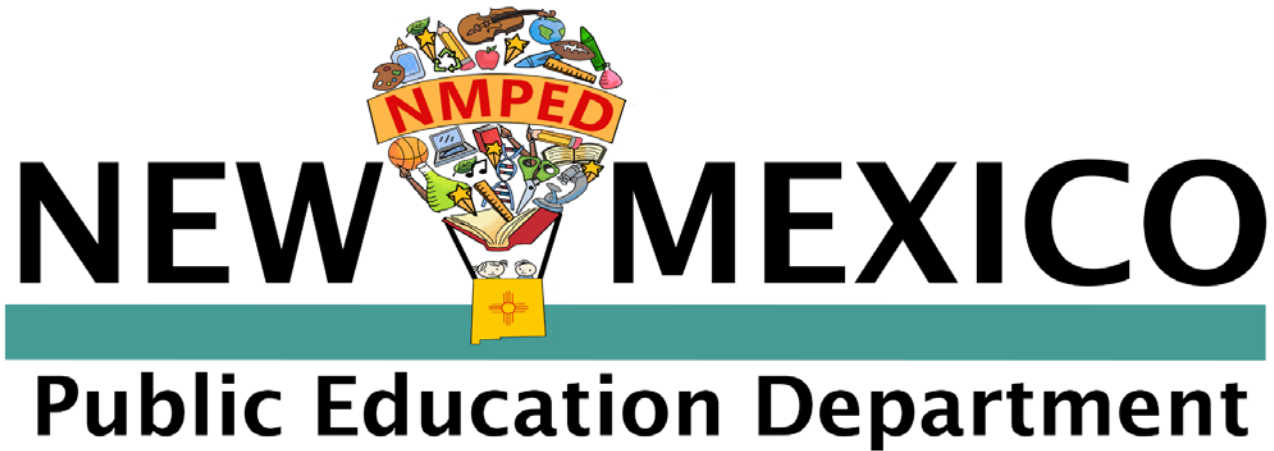
**Impact Aid District:** A district's program cost is \$107,090,393 and received \$29,456,660 in Federal Impact Aid basic payments. The district would receive \$84,997,898 from the SEG after the 75% credit plus the \$29,456,660 in Impact Aid basic payments for a total of \$114,454,558.

\$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>

**Non-Impact Aid District:** 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>

# QUESTIONS



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