

# IMPACT AID PROGRAM SECTION 7002 OVERVIEW



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# Topics

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- Eligibility Requirements
- Calculating Maximum Payment
- Calculating Foundation Payment
- Calculating Remaining Funds Payment
- Payment Caps
- Contacts

# Section 7002 Overview

## Federal Acquisition of Real Property

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- Reimburses local educational agencies (LEAs) for tax revenue lost by the removal from the tax rolls of land acquired by the Federal government after 1938
- Value of Federal property equal to at least 10 percent of the LEA's total assessed value at time or times of acquisition
- 241 applicants for FY 2021
- Examples of Federal Property Claimed:
  - National Forests, Grasslands & Scenic River Ways
  - Dams and Reservoirs & Lakes
  - National Wildlife Refuges & Military Installations

# Section 7002 Overview

## Federal Acquisition of Real Property

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- New applicants must document:
  - Acquisition of Federal property after 1938
  - Total assessed value of district at time or times of acquisition
  - Information listed on Exhibits A and B MUST be submitted to assess eligibility
  - Value of Federal property equal to at least 10 percent of the LEA's total assessed value at time or times of acquisition

# Application Information

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- Eligible federal acres
- Revenue from other activities
- Total taxable value of LEA
- Total acres in LEA
- Tax rate for current expenditures

# Section 7002 New Applicant Requirements

## Sample Exhibit A

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U.S. Department of Education

### Section 7002 Exhibit A: Property Acquisition Data

Title VII—Impact Aid

Applicant Name (Local Educational Agency)				Applicant Impact Aid Number		Federal Fiscal Year Of Application		School Year Of Application	
ABC SCHOOL DISTRICT				14-CA-2020111		FY2020		2018-2019	

  

(A) Date or year of federal acquisition	(B) Previous owner	(C) Number of acres of federal acquisition	(D) Land description (section/ township/ range)	(E) Tax book and page	(F) Federal tract number (if any)	(G) Assessed value (for tax purposes at the time of federal acquisition)		(H) Classification of land at the time of federal acquisition	(I) Remarks
						I = Improvement L = Land	Total		
1942	JOHN DOE	1,000		VOL 3 13-2	362	I \$2,000 L \$3,000	\$5,000	AG	
1942	JACK JOES	2,500		VOL 3 13-5	253	I \$1,000 L \$9,000	\$10,000	AG	
1945	BILL BAKER	3,000		VOL 4 2-7	128	I \$2,000 L \$12,000	\$14,000	AG	
						I L			
						I L			
						I L			

This information is provided to substantiate the claim for the LEA named above for funding in accordance with provisions of Title VIII section 8002 for the above-named federal fiscal year and school year.

Approval Signature  
and Date

JOHN ASSESSOR

Approval Name  
(Please type or print.)

JAN

# Section 7002 New Applicant Requirements

## Sample Exhibit B

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U.S. Department of Education	Title VII—Impact Aid
<b>Section 7002 Exhibit B: Detailed Property Acquisition Data by Year</b>	

Applicant Name (Local Educational Agency)		Applicant Impact Aid Number		County	
ABC SCHOOL DISTRICT		14-CA-2020-1111		HIGHLAND	
(A) Date or year of federal acquisition of the property	(B) Number of acres of land acquired by the federal government since 1938 (eligible federal property only)	(C) Assessed valuation at the time of the acquisition of the property by the federal government	(D) Assessed valuation of all real property in the school district for the year in which the property was acquired	(E) Percentage that the acquired property was of all real property in the school district at the time the property was acquired [ (C) divided by (D) ]	(F) Remarks
1942	3,500	\$ 15,000	\$ 300,000	5.0%	
1945	3,000	\$ 14,000	\$ 200,000	7.0%	
TOTALS	6,500			12.0%	

This information is provided to substantiate the claim for the LEA named above for funding in accordance with provisions of Title VIII section 8002 for the above-named federal fiscal year and school year.

Approval Signature  
and Date

Approval Name  
(Please type or print.)

JOHN ASSESSOR

*[Signature]*

## Eligibility Key Points

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- Property must have been acquired after 1938
- Value of acquired land must equal at least 10% of LEAs assessed (not appraised) value at the time of acquisition
- Property must not have been acquired in exchange for other federal property
- LEA must not be substantially compensated by other revenue
- Exhibit A lists individual acquisitions of land by owner
- Exhibit B consolidates acquisitions by year and where we do eligibility calculation



## Old LEA (2009 LEAs) Foundation Payments Not Based on Maximum Payment

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- Based on average of 2006 – 2009 payments
- Previous formula was based on highest and best use of land
- Previous formula made maximum payments much higher than new formula which bases maximum payment on actual district value
- Payments were locked in through legislation because new formula better reflects the value of the land.

# Determining the Maximum Payment Amount under Section 7002(b)

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In order to calculate the remaining funds (and foundation for NEW LEAs):

- First we determine the total taxable value for the purpose of levying property tax for school purposes for current expenditures of real property located within the boundaries of the LEA
- Next we determine the per acre value of the eligible Federal property by dividing the total value by the difference between the total acres located within the boundaries of the LEAs and the number of Section 7002-eligible Federal acres
- Then we determine the total taxable value of the Section 7002-eligible Federal property by multiplying the per acre value by the number of Section 7002-eligible Federal acres
- Finally, we apply the current levied real estate property tax rate for current expenditures levied by fiscally independent LEAs, or imputed for fiscally independent LEAs, to the current annually determined estimated taxable value of the Section 7002-eligible property

## Determining the Maximum Payment Amount under Section 7002(b)

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Total taxable value  $\div$  (Total acres— 7002 acres)

- a.  $\$13,000,000 \div (100,000 - 25,000 \text{ (Federal)})$
- b.  $\$13,000,000 \div 75,000 = \$173.00$  (per acre value)
- c.  $25,000 \text{ (Federal)} \times \$173.00 = \$4,325,000$  (estimated taxable value)
- d.  $\$4,325,000 \times .0275 \text{ (tax rate)} = \mathbf{\$118,937}$  (maximum amount)

# Calculating Maximum Payment

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## New Foundation Calculation Worksheet

*Enter values in shaded fields.*

	LEA Impact Aid Number:	11-1111	
	LEA Name:	Sample School District	
	First FY Applied (after 2009):	2011	
	Most recent closed FY:	2009	
<b>1</b>	Total Taxable Value of LEA (all Jurisdictions):	\$1,790,261.00	
<b>2</b>	Total Acres in LEA:	54,195.25	
<b>3</b>	Total 8002-eligible Federal Acres:	7,722.84	
<b>4</b>	LEA Tax Rate:	0.10582	
<b>5</b>	8002 Maximum Payment for FY 2011:	\$31,482.00	<i>Line 1 / (Line 2 - Line 3) x Line 3 x Line 4</i>

# Calculating Maximum Payment Key Points

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- Federal land has no taxable value
- Formula creates an estimated taxable value of the federal land
- Tax rate is applied to estimated taxable value of federal land to derive maximum payment amount
- Eligible LEAs receive two payments per application; foundation payment and remaining funds payment

# Section 7002 Foundation Payment for OLD LEAs

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- The foundation payment (7002(h)) shall be determined without regard to the maximum payment provision (in 7002(b))
- However, Section 7002(a)(2) states that if we determine that an LEA is being substantially compensated for the loss in revenue resulting from such ownership by increases in revenue accruing to the LEA from the conduct of Federal activities with respect to the Section 7002-eligible acres, then the LEA shall not be eligible to receive the amount described in subsection (b) or (h)
  - Subsection (b) refers to the determination of the taxable value and includes references to the maximum payment
  - Subsection (h) refers to the newly established foundation payments
- Therefore, if the LEA's revenues exceed their new maximum, they are not eligible for either the foundation or any other payment

# Foundation Payments for NEW Applicants

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- We determine the NEW LEAs' foundation payment by first calculating **their maximum payment under 7002(b)**
- Next we multiply the LEA's maximum by the appropriation percentage
- Then we multiply the LEA's share by 90 percent
- This becomes the foundation payment for the new LEAs for the first and succeeding years

# Foundation Payments for NEW Applicants

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## New Foundation Calculation Worksheet

*Enter values in shaded fields.*

	LEA Impact Aid Number:	11-1111	
	LEA Name:	Sample School District	
	First FY Applied (after 2009):	2011	
	Most recent closed FY:	2009	
1	Total Taxable Value of LEA (all Jurisdictions):	\$1,790,261.00	
2	Total Acres in LEA:	54,195.25	
3	Total 8002-eligible Federal Acres:	7,722.84	
4	LEA Tax Rate:	0.10582	
5	8002 Maximum Payment for FY 2011:	\$31,482.00	<i>Line 1 / (Line 2 - Line 3) x Line 3 x Line 4</i>
6	8002 Appropriation for FY 2009:	\$66,208,000.00	<i>Source: Obligation File</i>
7	National Total Maximum for FY 2009:	\$2,004,699,707.00	<i>Source: Additional Tab in IAS</i>
8	Foundation Basis:	\$1,039.74	<i>Line 5 x (Line 6/Line 7)</i>
Foundation Payment:		\$936.00	<i>Line 8 x 90%, rounded to nearest dollar</i>



# Calculating Foundation Payment Key Points

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- Old LEAs (eligible and received payment in 2009) payment calculated by averaging 2006-2009 payments ( $\times 90\%$ )
- Old LEAs (eligible and received payment subsequent to 2009) and New LEAs (eligible but never received payment) has payment calculated IAW New LEA formula
- Foundation payments made without regard to maximum payment
- If foundation or foundation and revenue exceeds maximum LEA won't receive remaining funds

# Remaining Funds

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- From any remaining funds, the Secretary shall make a payment to each LEA that received a foundation payment (either OLD or NEW) in an amount that bears the same relation to the remainder as a percentage share determined for the LEA (by dividing the maximum amount that the LEA is eligible to receive by the total of the maximum for all LEAs) bears to the percentage share determined for all LEAs to receive
- For the purpose of calculating a LEA's maximum, data from the most current fiscal year shall be used

# Remaining Funds Calculation

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- LEAs maximum  $\div$  Total of all other LEA maximums
- $\$118,937 \div \$505,000,000 = 0.02\%$
- Remaining 7002 program balance = \$5,000,000
- LEAs remaining funds amount = \$1,000

# Calculating Remaining Funds Payment Key Points

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- LEAs that hit payment cap, are consolidated, or opt out of remaining funds payment are not eligible to receive payment
- Divide LEAs maximum payment by total of all LEAs maximum payments
- Results in LEAs percentage share of remaining funds pot
- Multiply LEAs percentage share by amount in remaining funds pot to determine LEAs final payment amount

## Section 7002: Payment – CAP 1

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OLD LEAs (LEAs that received a payment in 2009 or a subsequent year)

- If the LEA is eligible to receive a foundation payment (e.g., the amount of revenue does not exceed the maximum amount the LEA is eligible to receive), and if the revenues plus the proposed total 7002 payment exceeds the LEA's maximum, then the amount of the remaining payment will be reduced by the excess (or the LEA will get no remaining funds if the excess exceeds its remainder allocation)
- Foundation payments will not be affected

## Section 7002: Payment – CAP 1 (Old LEAs)

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- Section 7002 foundation payment = \$3,000
- +
- Revenue from other activities = \$2,000
- Total amount received by LEA = \$5,000
- LEAs maximum payment amount = **\$4,000**
  
- LEA would receive foundation payment only and no remaining funds because maximum is exceeded.

# Section 7002: Payment – CAP 1 (New LEAs)

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## NEW LEAs (LEAs that did not receive a payment in 2009 or a subsequent year)

- If the LEA is eligible to receive a foundation payment (e.g., the amount of revenue does not exceed the maximum amount the LEA is eligible to receive), and if the revenues plus the proposed total 7002 payment exceeds the LEA's maximum in the first year of eligibility, the excess would reduce the LEA's foundation payment
- For future years the foundation amount would not change but the remaining funds allocation would be reduced as with old districts

## All Districts

- There is another maximum that applies to the remaining funds (7002(b)(1)(c)) - **see next slide**

## Section 7002: Payment – CAP 1 (New LEAs)

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- Section 7002 proposed payment = \$3,000
- +
- Revenue from activities (Table 2) = \$2,000
- Total amount received by LEA = \$5,000
- LEAs maximum payment amount = **\$4,000**
  
- LEA would have payment reduced down to level of maximum for first year because maximum is exceeded.



# Section 7002: Payment – CAP 2

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## Comparison to Section 7002 and Section 7003 Maximum Payments

- Comparison of the total calculated remaining funds payment and all other Section 7002 payments AND the Section 7003 payment (if applicable) to make sure the grand total does not exceed the higher of the Section 7002 or Section 7003 maximum payment
- If either maximum payment is exceeded, **for OLD districts**, the LEA would still get the foundation payment but not the remaining funds payment
- **For NEW districts, in the first year of eligibility the foundation payment would be reduced, and in future years the remaining funds allocation would be reduced or eliminated as necessary, as with old districts**

## Section 7002: Payment – CAP 2 (Section 7002 and 7003 eligible LEAs)

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Section 7002 maximum = \$3,000

Section 7003 maximum = \$100,000

Section 7002 + 7003 maximum = \$103,000

Section 7002 payment = \$5,000

Section 7003 payment = \$100,000

Total of both payments = **\$105,000**

(Old LEAs = No RF; New LEAs = Reduce down to max)

## Payment Cap (1 and 2) Key points

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- Old LEAs (Cap 1) if payment and revenue (if any) exceeds maximum, LEA only receives foundation payment for the year
- New LEAs (Cap 1) if proposed payment and revenue exceeds maximum, payment is reduced to maximum amount
- Old LEAs (Cap 2) 7003 and 7002 eligible LEAs' total payment can't exceed the higher of 7003 or 7002 maximum
- New LEAs (Cap 2) If 7003 and 7002 eligible LEAs' total payment exceeds either 7003 or 7002 maximum, payment is reduced to the maximum amount

## Section 7002 Order of Payments:

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1. Foundation payments for LEAs that were eligible for a payment for FY 2009 or a subsequent year (Old LEAs)
2. Payment to an LEA eligible under Section 7002(i), after their new maximum amount is determined
3. Foundation payments for New Applicants (New LEAs) (eligible applicants that were first eligible after FY 2009 and have never received a foundation payment)
4. Remaining funds for all LEAs eligible to receive one

## Section 7002 Contacts

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