

Report: Impact Aid on the Navajo Nation

August 2017

Overview

The Navajo Nation is situated in southwest United States, covering 27,673 square miles within the states of New Mexico, Arizona, and Utah (retrieved from http://navajobusiness.com/fastFacts/LocationMap.htm). According to the Navajo Population Profile 2010 Census, there are 332,129 people who identify as a member of the Navajo Nation. Currently, there are 26 school districts across all three states that serve a significant number of Navajo students. A number of these districts receive impact aid; a Federal program that supports public school districts in the United States. After regulations were passed to support the cost of military-dependent children in 1950, then United States President, Harry S. Truman, signed the impact aid program into law. Six years later, the Johnson O'Malley Act of 1934 identified that there were no local taxes or additional funding to educate Native American students.

In 1940, impact aid acknowledges its obligation to the local school districts for educating children residing on Native American lands. Part of the program is designed to assist local school districts that have lost property tax revenue due to the presence of tax-exempt Federal property, or that have experienced increased expenditures due to the enrollment of federal connected children, including children living on Native American land (Retrieved from https://www2.ed.gov/print/about/offices/list/oese/impactaid/whatisia.html).

The program is now Title VII of the Every Student Succeeds Act. Funding is approved annually by Congress through the Labor, Health and Human Services—Education Appropriations Subcommittee and administered by the U.S. Department of Education (US DOE). Funds can be used for general purposes, such as instructional materials, salaries, or transportation. Each year, the deadline to apply for impact aid is January 31st and school districts receive their funding as part of fiscal year October 1st to September 30th.

Introduction

Funding

Impact aid is the oldest K-12 Federal education program. Since 1950, impact aid has been assisting over 1,300 school districts, serving over 11 million students across the U.S. There are four sections in this report. First, section one discusses the intricacies to impact aid and which sections of impact aid address school districts serving a significant amount of Navajo students. Section two provides Federal insight on schools receiving 2014-2015 funding and their amount related to schools on or near the Navajo Nation. Section three provides Native American serving agencies' state insights on school district funding. Although almost all states do not handle impact aid funding, New Mexico is one of three states that monitors their funding because it is considered an equalized state. In section four, school districts on or near the Navajo Nation provide their most recent student enrollment district-wide, the percentage of Navajo students they serve, total impact aid amount, plus the cost per student, along with details on who controls their district impact aid funding and how those funds are disseminated among their schools. The purpose of this report is to collect substantial information and data to address and monitor school districts' service to students and advocate for continue allocation.

SECTION I—THE INTRICACIES OF THE IMPACT AID PROGRAM

First and foremost, impact aid has not been fully funded since 1969 despite an increase in millions over the past few years. Impact aid funding is appropriated and overseen annually by Congress and the House and Senate Labor, Health and Human Service, Education Appropriations Subcommittee. The subcommittee allocates funding to the following five streams: Federal property, basic support, disability, construction, and facilities. School districts

are not eligible to receive all available funds, but can apply to those applicable to their district meeting the funding criteria. Financial criteria for funds are explained below.

Finance

There are two main types of educational support that is financed. Typically, educational institutions that are non-federally impacted are financed through combined state and local revenue. In the case of the Navajo Nation, Federally impacted schools are state funded, but institutions have no local revenue to rely on because of Federal presence. School districts with Federal lands, military installations, Federal low-rent housing or Indian Trust Land within their boundaries, or those of Alaska Native Claims Settlement Act, lose local revenue because of these non-taxable Federal activities (National Association of Federally Impacted Schools, n.d.). The acres associated with the presence of Federal property are 100 million, and Alaska occupies 50 million. The remaining 50 million acres are spread among the lower 48 states.

Section 7002—Federal Property

The first type of funding is called Federal property, or Section 7002. Federal property reimburses school districts that have lost local revenue due to the Federal ownership of land within the boundaries of school districts. The two eligibility requirements for Section 7002 are:

- 1.) The Federal Government obtained property after 1938
- 2.) The assessed valuation of the property, when obtained by the Federal Government, is at least 10-percent of the school district's total assessed value.

This report only provides the funding source and criteria for Federal property aid because there are no school districts on or near the Navajo Nation who receive Section 7002 funding.

Section 7003—Basic Support for Federally Connected Children

The second funding opportunity is referred to as Basic Support; it is considered the largest contribution from impact aid. School districts under this provision are compensated for educating students whose parents or legal guardians live and/or are employed on Federal property, including children who reside on Indian lands. To help justify their eligibility, school districts can use the U.S. Department of Education-approved form to count federally connected students or use an outside resource, such as a tribal office or the Bureau of Indian Affairs.

To be eligible for Basic Support, a school district must have an enrollment of over 400 Federal students in their Average Daily Attendance¹ (ADA) or harbor at least three-percent of their district's federal ADA. Three factors contribute to a school district's payment: Local Contribution Rate² (LCR), the number of Weighted Federal Student Units³ (WFSU) and Congressional Appropriations. Funding is allocated based on the premise state and local revenue each contributes to educating a student.

Calculating a school district's payment is difficult because it is not fully funded.

Therefore, payments are on a "needs-basis" formula where a district's Learning Opportunity

Threshold (LOT) determines how schools districts depend on funds. A district's LOT

percentage is determined by adding the percentage of Federal students in ADA and the

percentage of maximum payment of the district's total current expenditures (TCE). School

districts with fewer than 1,000 students in ADA with average per-pupil expenditure smaller than
the state and Federal automatically receive 40-percent LOT.

¹ Average Daily Attendance means the aggregate days of attendance in a given reporting period divided by the number of day's school was actually in session during that same period.

² Local Contribution Rate is calculated in four ways: 50-percent of the state average per-pupil expenditure, 50-percent of the national average per-pupil expenditure, the average percentage of local revenue that makes up the average per-pupil expenditure in the state, or the use of comparable school district per-pupil expenditures.

³ Weighted Federal Student Units are weights given to different types of federally connected students. The weight is used to determine a district's IAP payment. Indian Land students have a weight of 1.25, the highest weight given.

Basic support funding is allocated in two steps. First, multiply the number of Federal students in ADA by their respective weights and after, multiply the school district's total WFSU by the LCR.

For example, if there are 200 Navajo students counted as Federally connected students, then 200 turns 250 because $200 \times 1.25 = 250$. Now, 250 must be multiplied by an LCR of \$5,000. Basic support funding is given at \$1,250,000.

Section 7003 (B)(2)—Heavily Impacted Districts

School districts qualify for additional funding in Basic Support if three criterions are met. The criteria states that if districts are ensuring total local tax effort, if their per-pupil expenditures is less than state average, and if the percentage of 40-50-percent Federally connected students are met, additional funding is granted. Schools on or near the Navajo Nation do not qualify for Section 7003 (B)(2).

Section 7003 (D)—Children with Disabilities

The third type of funding stream is a student with disabilities, or students who possess an Individualized Education Plan (IEP). There are four steps to determine the payment for students with special needs. First, determine the number of students with special needs. Second, add all nationwide Federal Disability Units students from all school districts. Third, divide the appropriation for 7003 (d) by the nationwide total to determine per-unit payment. Finally, multiply the district's number of Federal Disability Units by the per-pupil payment.

For example, a school district has 50 students with disabilities. If that district receives \$9,250,000 in aid and the nationwide total disability of students is 35,000, then per payment is

\$264.28. Now, the school district will receive \$13,214 for its students (50 x 264.28). This funding is categorical, meaning if school districts receive funding, it must be spent only on students with disabilities.

Section 7004—Policies and Procedures Relating to Children Residing on Indian Lands

School districts with students living on Indian land must have Indian Policies and Procedures (IPP) in place. The purpose of IPP's is to ensure school districts are maintaining certain requirements that pertain to equality, participation, community, communication, and developing more opportunities between students, educators, communities, and their tribe (see Appendix A for list of requirements). The U.S. DOE has eight criteria to evaluate each district's IPP (see Appendix B). The approval of a district's IPP comes from school districts, the tribe, and the U.S. DOE.

Section 7005—Application

Each year, applications are due on January 31st. Applications must contain all required documents and information for funding. The application must also be in compliant with each funding opportunity criteria.

Section 7007 (A)—Construction

The fourth funding opportunity is construction. A school districts total funds may be used for various construction related services such as building new facilities, repairs, inspections, or debt service. These funds have no deadline and can be saved for future projects. There are two

distinct allocations: sixty-percent is for competitive grants and forty-percent is allocated to eligible school districts based on a separate formula. School districts are eligible for construction funds under their Basic Support if the district has at least 50-percent or more Indian Land students, 50-percent or more military students, or receive funds from 7003 (b)(2), heavily impacted. Payment is determined by total number of Indian Land and Military weighted students in eligible education agencies. Dividing 50-percent of the total appropriation for construction funds by the total number of Indian Land WFSU and 50-percent of the 7007 appropriation construction by the number of military WFSU in all 7007 eligible LEAs determines the per-weighted unit payment for each type of student. Then, multiply the WFSU for each type of student with the per-unit payment.

Construction funds are distributed every other year. For the years that there is no formula needed for payment, there is an automatic allocation of 17.4 million, which becomes competitive for school district's to receive.

Section 7007(B)—Discretionary Competitive Grants

To receive discretionary competitive grants (emergency or moderate) districts must have at least 40-percent impacted students with Indian land dependency. Districts may also apply if the number of Indian land students equals or exceeds 40-percent of total enrollment. These grants are given based on district priorities. Recipients must have the ability to generate local funding as well. The Federal contribution for both funds cannot exceed 50-percent of the cost of the project, nor can it be more than \$4,000,000 during a four-year period.

Section 7008—Facilities

The final funding stream is facilities. Payments are for upkeep and school building repairs that are owned by the U.S. DOE and used by local school districts. Once buildings are repaired and maintained, they are transferred to local school districts. According to the National Indian Impacted Schools Association, there are no facilities that apply to Navajo Nation districts.

Section 7009—Equalization (New Mexico)

States are prohibited from reducing the amount of impact aid funding because it is considered an outside contribution to a state's financial formula. However, there is an exception referred to as *equalization*. If a state has a school finance formula that is designed to equalize expenditures for school districts, they can reduce the amount of funding. States must demonstrate that for 90-percent of their students, the amount of money spent per student does not vary by more than 25-percent. The per-pupil expenditure of the school at the 95th percentile of ADA is compared to that of the fifth percentile of ADA. This comparability is less than 25-percent, which allows the state to deduct impact aid from school districts.

Equalization affects the Navajo Nation because New Mexico is certified by the U.S. DOE to reduce the amount allocated to their school districts. According to this report, seven school districts are in New Mexico. Thus, school districts such as Gallup McKinley County School District or Central Consolidated School District have their impact aid funds cut by about 75-percent. That money goes back to the state and is generally used across the state.

Section 7010—Program Administration

All school districts must comply with the U.S. Secretary of Education on administering each provision that determines their district funds.

Section 7011—Administrative Hearings/Judicial Review

By law, judicial reviews and hearings, due to any affected action from the U.S. Secretary of Education, is available.

Section 7012—Forgiveness of Overpayments

The U.S. Secretary of Education may forgive school districts to pay the amount of any overpayment, whether in part or whole, based on any error by the Secretary. Otherwise, school districts may repay in full, which will result in undue financial hardship.

Section 7014—Authorization of Appropriations

This section affirms that Congress authorizes funds for impact aid. There is no limit to funds towards each provision outlined in impact aid. It is possible to fully fund each provision for school districts if they meet each criterion.

The next section discusses the Federal numbers given by the United States Department of Education. The funding list illustrates school year 2014-2015. The information is two years old because not all schools immediately receive their funding. When all schools receive their funding, this information, referred to as the Blue Book, is released. Typically, the Blue Book is released every two years.

SECTION II—FEDERAL PERSPECTIVE ON FUNDING FOR IMPACT AID 4

The information provided in Table 1 was extracted from fiscal year 2014's publication of impact aid provided by the US Department of Education. This is the latest publication because the US DOE publishes an updated blue book when all schools have received their full funding.

Table 1
2014-2015 Impact Aid Allocations—Federal Outlook

District	Enrollment	Impact Aid (\$) / LOT %
Bloomfield School District	2,692	\$542,017 / 27.76%
Central Consolidated School District	6,093	\$26,796,834 / 100%
Cuba Independent School District	490	\$903,795 / 70.53%
Gallup McKinley County School District	10,518	\$32,493,977 / 94.63%
Grants-Cibola County School District	3,318	\$1,531,157 / 40.88%
Jemez Mountain School District	221	\$253,375 / 54.92%
Magdalena Municipal School District	330	\$454,907 / 68.74%
Cedar Unified School District	154	\$1,127,411 / 100%
Chinle Unified School District	3,385	\$20,990,430 / 100%
Flagstaff Unified School District	8,660	\$292,918 / 11.87%
Ganado Unified School District	1,474	\$8,496,124 / 100%
Holbrook Unified School District	2,006	\$5,412,021 / 79.97%
Joseph City Unified School District	385	\$4,568 / 2.97%
Kayenta Unified School District	1,762	\$11,727,260 / 100%
Page Unified School District	2,554	\$7,111,510 / 93%
Pinon Unified School District	1,198	\$7,711,622 / 100%
Red Mesa Unified School District	690	\$4,259,666 / 100%
Sanders Unified School District	748	\$4,532,853 / 100%
Shonto Governing Board of Education	64	\$476,553 / 100%
Tuba City Unified School District	1,581	\$10,163,959 / 100%
Window Rock Unified School District	2,050	\$13,883,201 / 100%
Winslow Unified School District	2,106	\$2,892,910 / 70.65%
San Juan School District	2,903	\$7,508,008 / 72.86%
Sevier School District	4,371	\$0
Total	59,753	\$169,567,076

⁴ The information provided is given by the National Association of Federally Impacted Schools blue book. Retrieved from http://www.nafisdc.org/publications

SECTION III—STATE INFORMATION ON IMPACT AID

Arizona and New Mexico's Indian Education Departments provided information on impact aid. Although funding does not go through the states, the data represented in each table is part of the states monitoring of American Indian students⁵.

Table 2 2015-2016 Impact Aid Allocations—New Mexico Outlook

New Mexico School Districts		Enrollment	Impact Aid Funding
Bloomfield School District		3,023	\$172,070
Central Consolidated School District		6,380	\$7,207,719
Cuba Independent School District		563	\$327,545
Farmington Municipal School District		11,623	\$18,889
Gallup McKinley County School District		11,947	\$8,826,693
Grants-Cibola School District		3,812	\$722,942
Jemez Mountain School District		267	\$57,661
Magdalena Municipal School District		372	\$113,116
	Total	37,987	\$17,446,635

Notes: Phillips, L. (2017, March 30). Personal interview. New Mexico Division of Indian Education

Table 3
2016-2017 Impact Aid Allocations—Arizona Outlook

Arizona School Districts		Enrollment	Impact Aid Funding
Cedar Unified School District		146	\$858,245.36
Chinle Unified School District		3666	\$18,239,519.69
Flagstaff Unified School District		7805	\$332,722.32
Ganado Unified School District		1563	\$7,815,289.38
Holbrook Unified School District		2224	\$4,002,025.58
Kayenta Unified School District		1942	\$9,370,505.29
Page Unified School District		2879	\$5,665,392.16
Pinon Unified School District		1319	\$6,400,011.33
Red Mesa Unified School District		707	\$3,720,199.68
Sanders Unified School District		799	\$3,682,001.48
Shonto Governing Board of Education		83	\$350,942.86
Tuba City Unified School District		1912	\$8,540,612.98
Window Rock Unified School District		2030	\$10,991,109.40
Winslow Unified School District		1746	\$2,565,734.05
	Total	28,821	\$82,534,311.56

Notes: Groenig, N. (2017, March 30). Personal interview. Arizona Office of Indian Education Utah's Indian Education Office stated that they do not have access or monitor impact aid funding.

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⁵ The difference of reported years presented by New Mexico and Arizona is explained in the limitation section of this study.

SECTION IV—NAVAJO NATION REPORTS ON IMPACT AID FUNDING

This report conducted its own inventory on public school districts' funding allocations and how they monitor impact aid. Table 4 illustrates student enrollment, the percentage of Navajo students, and the amount of funding received, and per pupil amount⁷.

Table 4
2016-2017 Impact Aid Allocations—Navajo Nation Outlook

State/District	Enrollment	Navajo (%)	Amount	Per Pupil		
New Mexico				_		
Aztec Municipal School District		Did not receive Impact Aid				
Bloomfield School District	3,037	38%	\$169,581	\$325.84		
Central Consolidated School District	6,089	91%	\$23,539,471.19	\$4,508		
Cuba Independent School District	541	62%	\$1,142,000	Varies		
Farmington School District		Did not receive Impact Aid				
Gallup McKinley County School District	11,597	82% NA ⁶	\$38,253,243.36	Varies		
Grants-Cibola County School District	3,773	17%	\$2,869,678.98	\$1,622.98		
Jemez Mountain School District	232	25%	\$238,371.27	\$1,027.47		
Magdalena School District	351	48%	\$490,427	\$1,442		
Utah						
San Juan School District	2,940	55%	\$4,000,000	\$13,953		
Sevier School District		Informatio	n unavailable			
Arizona		1000/	000500050			
Cedar School District	23	100%	\$895,380.50	Varies		
Chinle School District	3,647	98.9%	\$19,521,293	\$5,386		
Flagstaff School District	9,820	25%	\$369,761	\$37.65		
Ganado School District	1,494	97%	\$9,899,657.43	\$5,635.50		
Heber-Overgaard School District		Did not receive Impact Aid				
Holbrook School District	1,952	62% NA	\$5,066,378			
Joseph City School District		Did not receive Impact Aid				
Kayenta School District	2,093	99.3%	\$10,796,799	\$3,442		
Page School District	2,690	78% NA	\$5,569,501.49	Varies		
Pinon School District	1,104	100%	\$7,358,371.56	Varies		
Red Mesa School District	570	99.9%	\$3,850,000	\$6,777.20		
Sanders School District	731	95%	\$4,500,000	\$5,468		
Snowflake School District		Did not receive Impact Aid				
Tuba City School District	1,666	90%	\$11,781,858	Varies		
Window Rock School District	1,944	98%	\$13,015.171.73	Varies		
Winslow School District	2,050	98%	\$2,500,000	Varies		
Tota	55,746	-	\$150,445,086.51	-		

⁶ NA indicates Native American

⁷ All questions directed to these schools can be seen in Appendix C.

School district business managers or Federal program directors manage impact aid that is allocated. School districts use their aid for various purposes, such as transportation, professional development, programs, or capital improvement projects. Majority of school districts their aid for certified salaries. In certain cases, such as Page Unified School District, schools within their district receive a portion of their funding rather than requesting. On the other hand, districts such as Red Mesa Unified School District have site codes and their Chief Financial Officer manages the allocations towards their site codes. In addition, Window Rock Unified School District used a large amount of their funding on their 7-12 grades, as there was a new adoption on textbooks.

Furthermore, Winslow Unified School District schools make their requests for school site allocations while other districts, such as Jemez Mountain utilize their entire staff to implement to review programs and implement the funds. For Gallup McKinley County School District, funding is primarily used for salaries. Each school within their district is encouraged to hire the highest qualified staff. In all three states, the management and allocations of impact aid funds is pursuant to district and state policies.

In other cases, school districts rely heavily on impact aid. For instance, Cedar Unified School District and Magdalena Municipal School District have small enrollments, but serve a significant amount of Navajo students and find impact aid to be paramount to their district's operation. Bloomfield School District may serve over 3,000 students, but also find impact aid to be imperative to the 38-percent Navajo students they serve.

Discussion

Since the Navajo Nation is establishing an Advocacy Committee to advocate and address the significance of Federal programs impacting Navajo students, this report serves as a guide to

assist in the discussion of supporting our schools, communities, and more importantly, our students. Impact aid program has been active for over 60 years, assisting school districts across the United States. Navajo students serve a significant contribution to school districts on the Navajo Nation where impact aid is being funded. For instance, Sanders Unified School District enrolls 95-percent Navajo students. This also includes off reservation school districts, such as Flagstaff Unified School District, who serve 25-percent (2,436) Navajo students. The funds that these school districts receive are being exhausted on district needs, such as salaries and programs, two intricate areas pertinent to a student's development (e.g. Bloomfield School District's funding was used based on their academic year objectives, which was college career readiness standards).

Limitations

The limitations of this study include consistency and participation. In Federal outlook, the blue book document is typically published every two years. The reason is because school districts do not automatically receive their entire funding. Due to a number of situations, school districts will receive their funding on several occasions or until they meet certain requirements. Further, in the state outlook section, New Mexico provided FY '15 information, whereas Arizona provided FY '16 information. The New Mexico Indian Education Division shared that certain school districts are lacking certain requirements in regards to their reporting of financial expenditures. Therefore, the 2016-2017 information has not been published.

Impact aid funding for FY '17 is currently being disseminated, which explains Arizona's FY'16 reporting. Some schools were reluctant to share their information but completed the interview to learn more about the Navajo Nation's position. Sevier School District in Utah serves

Navajo students, but do not educate enough to account them in their impact aid applications. Their impact aid funding is primarily because they educate military students. Therefore, they have expressed that the information sought cannot be answered because it does not apply to their district. All schools show FY '16 reports, except Page Unified School District. They provided their FY '17 reports. School districts are learning of the ongoing new allocations.

Conclusion

After 1950, Impact Aid funding has been assisting hundreds of school districts across the United States. Impact aid funding is allocated through five funding streams, or opportunities. Federal Property or Basic Support, disabilities, construction, and facilities all constitute impact aid payments. School districts serving a significant amount of Navajo students, receive impact aid funding, particularly Basic Support. These allocations can be used for various benefits, such as salary, transportation, or school programs. However, several situations exist with the way impact aid is granted. Among those situations, a school district's learning opportunity threshold (LOT) determines how much funding they receive. There are grants that are available every two years while the remaining two-year difference has competitive grants. Navajo Nation School districts in the state of New Mexico (NM) are subject to equalization. This means the state cuts school districts' funding, in addition to their LOT, because impact aid is considered outside funding, and applies to their budget formula. Nevertheless, school districts receive a significant amount of funding considering their student enrollment. Impact aid is available each year, and school districts apply by the end of January. They must comply with all statues and expectations given by the United States Department of Education, the Senate and through the Labor, Health and Human Services—Education Appropriations Subcommittee.

Appendix A

A school district's IPP must include the following five requirements:

- Indian lands children are allowed to participate in programs on an equal basis as non-Indian Lands children.
- Parents of Indian lands children and the Tribes have the opportunity to present their views on school district programs and to make recommendations on the school's program.
- 3. Parents of Indian lands children and Tribes are consulted and involved in planning the school program.
- 4. Plans, evaluations, and applications of these programs are disseminated to the parents and Tribes.
- 5. Parents and Tribes have an opportunity to present their views on the job that local district is doing.

Appendix B

The U.S. Department of Education has eight criteria to evaluate each school district's IPPs:

- 1. Specify how the Tribes and parents can communicate to ensure an equal opportunity for Indian Lands Students to participate.
- 2. Describe how an LEA will assess the extent of equal opportunity.
- 3. Outline how the LEA will make changes to allow equal participation.
- 4. State how the LEA will send information out to the Tribe and parents. Information will include the Impact Aid application, the evaluation of programs funded with Impact Aid, and any plans for programs that may be starting or ending.
- 5. Show how the Tribe or parents can present their views.
- 6. Describe how the LEA will involve the Tribe and parents in developing programs.
- 7. Describe how the LEA gives the Tribe and parents and opportunity to make recommendation sand offer opinions about the LEA and its operations and programs.
- 8. Specify a time and method to preview IPPs annually, including a review of input from the Tribe and parents, and the LEA's response to the input.

Appendix C

- 1. Your current district-wide enrollment.
- 2. The 2016-2017 total amount of impact aid that your district received.
- 3. A list of schools you serve that receive impact aid funding.
- 4. The total amount those schools within your school district receive.
- 5. The percentage of Navajo students, if available and the average cost per student(\$) they receive for impact aid.
- 6. Lastly, how disseminating of funds is managed for each school and who manages these funding.

References

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