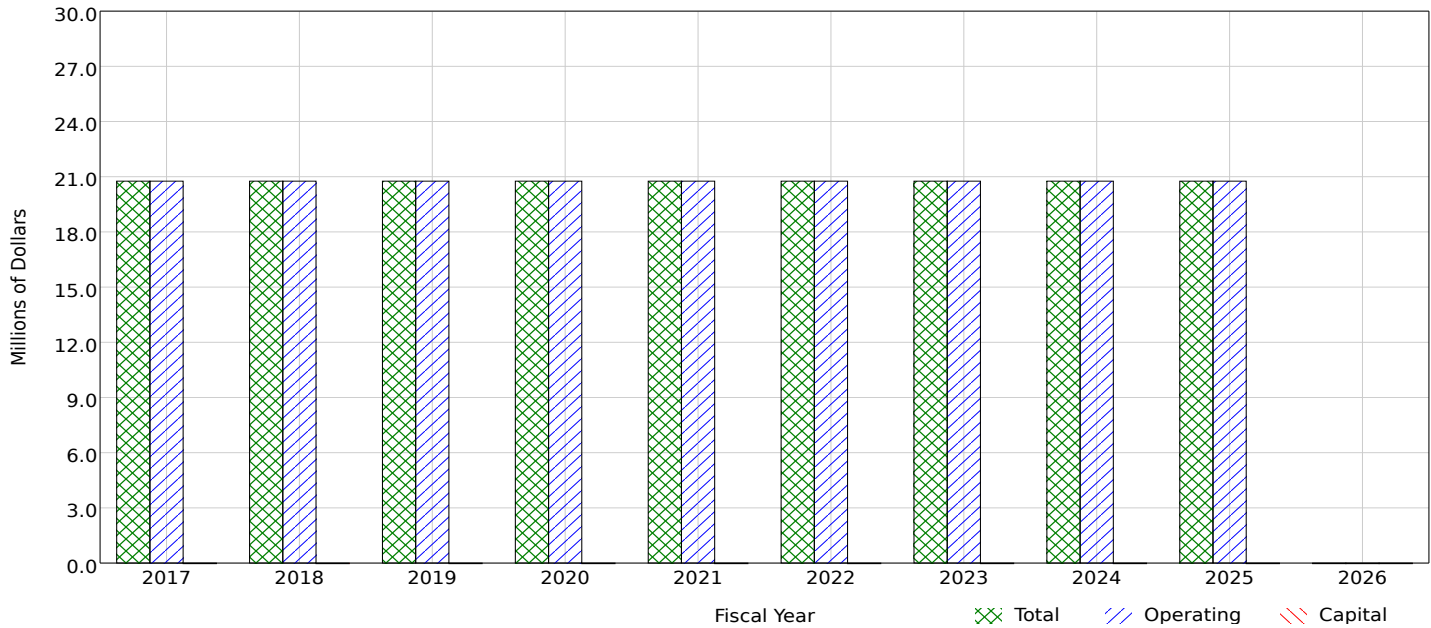


Fund Source Report

1043 Impact Aid Federal Impact Aid for K-12 Schools

Year Authorized 1955 Year Repealed Active? Yes Mental Health? No Duplicated? No Fund Group Federal Receipts

Operating and Capital Appropriations



Legal Authority

AS 37.20.010 and AS 14.50.010

Source of Revenue

Consists of revenues from the federal government to supplement public school funding. The money is provided in lieu of taxes. These federal receipts do not require state revenue matching funds.

Restrictions on Use

Must be used for public school district activities for which the federal grant was provided.

Description and History

The Impact Aid Program provides federal revenue, in lieu of taxes, to school districts for students who reside on federal, non-taxable lands. The State of Alaska is one of three states that equalize federal impact aid funds. In most states school districts retain federal impact aid without impact on state aid. Equalization means that the state reduces state aid to school districts depending on the level of eligible impact aid received.

The objective of the Impact Aid Program is to provide federal assistance to local education agencies (LEA) whose local revenues or enrollments are adversely affected by federal activities. Factors considered include: 1) the federal acquisition of real property; 2) children residing on tax-exempt federal property; or 3) children residing with a parent employed on tax-exempt federal property.

This fund source was once referred to as "PL 874 money" in reference to Public Law 81-874. PL 81-874 was replaced by the federal government with PL 103-382 in 1997.

Most federal impact aid goes directly to school districts (except Anchorage, Fairbanks and Kodiak, for which the state passes money through to those districts) and is excluded from the state budget process. However, state aid in the following year is reduced by 90% of federal impact aid received by each district. This "equalization" process is permissible only if the state meets federal disparity tests (which essentially caps per student funding differentials at 25%). Alaska does not equalize 10% of federal impact aid--i.e., districts get to keep 10% of federal aid--as an incentive for districts to apply for the aid.