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United States General Accounting Office

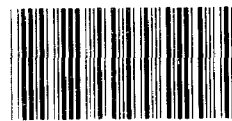
GAO

Briefing Report to the Honorable  
Lloyd Bentsen, U.S. Senate

May 1988

# IMPACT AID

## San Antonio Military School Districts Can Adjust to Reduced Federal Assistance



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United States  
General Accounting Office  
Washington, D.C. 20548

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Human Resources Division

B-224945

May 19, 1988

The Honorable Lloyd Bentsen  
United States Senate

Dear Senator Bentsen:

In response to your April 16, 1986, request and later discussions with your office, we have examined the reductions in impact aid<sup>1</sup> payments to the three military school districts located on Lackland Air Force Base, Randolph Field, and Fort Sam Houston, all in Bexar County, Texas. This report elaborates on our prior discussions with your office and provides information on the three districts' current and projected revenues and expenditures.

The Department of Education changed its method of determining impact aid funding levels, which resulted in reduced payments to these districts. For example, in school year 1985-86, the per-pupil impact aid payment to these districts was \$2,241—a 10-percent decrease from the payment of \$2,490 in 1984-85.

Specifically, you asked us to (1) evaluate the reasonableness of the Department's reductions, (2) determine the magnitude of the school districts' funding problems, and (3) help identify alternatives to ensure that the federal government is adequately meeting its obligation to the school children of military families.

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## Background

The Fort Sam Houston, Lackland, and Randolph Field school districts were established as independent districts in the 1950's, when they began operating elementary schools constructed with federal funds.

During the 1985-86 school year, the three districts enrolled 3,355 students. Most military families in the San Antonio area do not live on military installations, and the other 12 districts in Bexar County enrolled 11,508 children of military personnel, or 77 percent of all children of military families in the county.

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<sup>1</sup>Impact aid provided about \$615 million for the 1986 fiscal year to help compensate local school districts for the cost of educating children who live on and/or whose parents work on nontaxable federal property.

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Because all three districts' boundaries are the same as the military installations they serve, they are commonly referred to as "coterminous" school districts. These districts have no local tax base. Rather, they derive about half their income from federal impact aid payments and about half from the state of Texas through state education funds, which are provided to all independent school districts.

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## Department of Education Reductions Appropriate

The reductions in impact aid payments to the three military districts, imposed by the Department of Education beginning with school year 1985-86, are reasonable and appropriate. For several years before that time, payments to these districts were determined based on the expenditure levels of 10 of the highest cost districts in Texas in terms of funds spent for education. The payments to these districts (\$2,490 per pupil in 1984-85) provided under this method were higher than payments to other federally impacted districts, which were \$1,430 per pupil in states with similar education spending patterns. Even after the reduction in 1985-86, the payments were about 2-1/2 times larger than the average local per-pupil revenues of the other 12 Bexar County districts—more than offsetting lost local tax revenues.

The payment levels enabled these three districts to maintain per-pupil expenditures higher than the national and Texas averages, and higher than all but 1 of the 12 other school districts in the San Antonio area. The revised procedures provide for a graduated reduction in federal payments to the three districts, which have brought them in line with payments to other federally impacted districts in states with similar education spending patterns.

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## Magnitude of These Districts' Future Funding Problems

As a result of the reductions in federal impact aid payments, two of the three districts, Fort Sam Houston and Randolph Field, are likely to face budget deficits starting in the 1989-90 school year. The districts' budget projections for that year indicate that Randolph Field will exhaust its cash reserves while Fort Sam Houston will have insufficient reserves for operations. The Lackland district does not forecast a budget deficit in the foreseeable future.

To meet any funding problems brought about by federal reductions in impact aid, the districts will need to look for additional income, reduce their expenditures, and/or change the way they operate. The schools have three possible sources for obtaining additional income: the Department of Education, the Department of Defense, and the state of Texas. It

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is unlikely that the Department of Education or the Department of Defense would provide additional funds to the schools on the three military installations. In recent years, the Congress has declined to fully fund impact aid and has sought to discontinue funding Department of Defense-operated public schools. In addition, the three districts have not qualified for supplemental impact aid funds because of their high revenue and expenditure levels.

Legislation enacted on April 28, 1988, could, under certain circumstances, increase impact aid payments to these districts. We have not had an opportunity to determine the extent to which these districts would be eligible for additional funds. However, if the military districts qualify for the additional impact aid, it would continue the disparity between the funding levels for these districts and levels for nearby Bexar County districts and other heavily impacted areas.

In its review of the proposed legislation, the Department of Education estimated that if such a change were applied to all heavily impacted districts, annual payments to such districts could increase by about \$133 million, which would likely be absorbed by less heavily impacted districts. The districts are unlikely to get additional funding from the state of Texas because it is facing a budget deficit and state education funding levels are uncertain.

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## Alternatives to Present District Operations

In the absence of additional funds from federal or state sources, we looked at other alternatives for educating these military districts' students at education service levels similar to those provided before the reductions in impact aid payments. These alternatives include:

- Consolidating the districts with local school districts adjacent to or near the installations.
- Continuing the operation of the elementary schools and transferring junior and senior high school students, who are relatively more expensive to educate in the small schools on these installations, to other districts. Such transfers could be funded by the three military districts through tuition payments derived from impact aid and state revenues.

Officials of eight of the nine adjacent districts stated they would be willing to work with the military school districts to consider such student transfer and school district consolidation possibilities (one district was not interested in expansion). Also, officials at two of the larger districts said they could absorb the children from the three military installations.

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If the junior and senior high school students at the three military districts are transferred to surrounding districts, where per-pupil expenditures are substantially lower, federal and state revenues to the three districts would be more than sufficient to continue operating the elementary schools at education service levels provided before the impact aid reductions.

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## Conclusions

Increasing federal funding to the three school districts could enable them to continue operating as they are now, but such actions would perpetuate the funding inconsistencies between these and other nearby and heavily impacted school districts. To reduce their operating costs and avoid reductions in education services to the students, officials of the three districts would need to initiate discussions and negotiations with surrounding districts regarding consolidation or student transfers. These discussions should take place as soon as practicable to provide for a prompt, orderly resolution of the districts' projected funding problems.

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## Agency Comments

The Department of Education concurred in our report and supported its conclusions. (See app. II.) The superintendents of the three military school districts disagreed with our conclusion that their districts could consider consolidating with, or transferring students to, nearby local school districts. Because they lack a local tax base, the three military districts' superintendents believe the best solution to their funding problem is to increase federal funds as proposed in the bill that led to the legislation enacted in April 1988 (see p. 3). We addressed these comments in the report (see p. 26) and made changes where appropriate.

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We are sending copies of this report to the Secretary of Education, the three affected school districts, the appropriate congressional committees, and other interested parties. For further information regarding this report, please call me on 275-5365.

Sincerely yours,



William J. Gainer  
Associate Director

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# Contents

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Letter		1
Impact Aid: San Antonio Military School Districts Can Adjust to Reduced Federal Assistance		8
	Background	8
	Reasonableness of Impact Aid Payment Reductions	13
	Magnitude of Military Districts' Funding Problems	15
	Funding and Operating Alternatives for the Military School Districts	20
	Conclusions	25
	Agency Comments and Our Evaluation	26
Appendixes		
	Appendix I: Objectives, Scope, and Methodology	28
	Appendix II: Comments From the Department of Education	30
	Appendix III: Comments From the Lackland, Randolph Field, and Fort Sam Houston Independent School Districts	31
Tables		
	Table 1: Military School District Enrollment (School Year 1985-86)	8
	Table 2: Comparisons of Revenue Sources—Bexar County School Districts (School Year 1985-86) (Per Pupil)	17
	Table 3: Per-Pupil Revenue for All Coterminous School Districts (School Year 1985-86)	17
	Table 4: Military School District Enrollments (School Year 1985-86)	18
	Table 5: Bexar County School Districts' Per-Pupil Operating Expenditures (School Year 1985-86)	19
	Table 6: Bexar County School District Operating Expenditures and Payroll Costs (School Year 1985-86)	19
	Table 7: Enrollment Comparisons of Military and Nearby School Districts (School Year 1985-86)	23
	Table 8: Comparison of Estimated Per-Pupil Revenues and Expenditures Before and After Impact Aid Reduction—Fort Sam Houston School District (Based on School Year 1985-86)	24



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**Figures**

Figure 1: San Antonio Area Independent School Districts	9
Figure 2: Revenue Sources for Three San Antonio Military School Districts (School Year 1985-86)	10
Figure 3: Comparisons of Impact Aid Payments Per Super A Student	14
Figure 4: Military School Districts' Cash Reserve Projections (As of 1987)	16

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**Abbreviations**

DOD	Department of Defense
GAO	General Accounting Office

# Impact Aid: San Antonio Military School Districts Can Adjust to Reduced Federal Assistance

## Background

The school districts located on Lackland Air Force Base, Randolph Field, and Fort Sam Houston, all in Bexar County, Texas, operated schools for 3,355 children during the 1985-86 school year. These schools provide an education to children of military personnel who live on the three military installations. Although the school buildings are on land belonging to the Department of Defense (DOD), they are owned by the Department of Education. The elementary schools were constructed in the 1950's with federal funds provided under Public Law 81-815, which authorized school construction in areas affected by federal activities. High school students living on the three installations attended schools in neighboring Bexar County school districts until, in the early 1960's, the districts no longer accepted the students because of overcrowding. Then, high schools were also constructed on the installations with Public Law 81-815 funds.

Each of the military districts has a superintendent and a school board consisting of three or five members, and each operates one junior/senior high school (grades 7 to 12) and one elementary school (kindergarten to grade 6). Table 1 shows the enrollments of the three districts for the 1985-86 school year.

**Table 1: Military School District Enrollment** (School Year 1985-86)

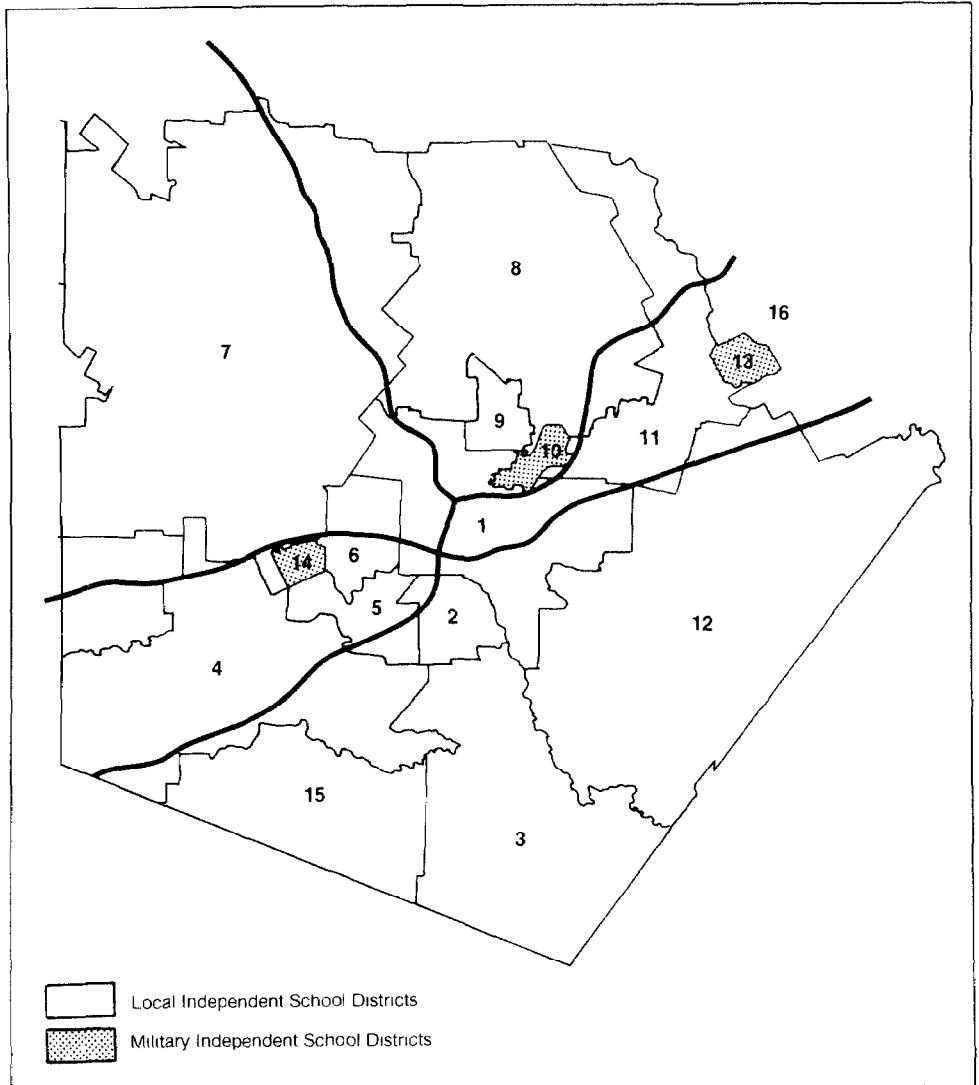
District	Student enrollments		Total
	Elementary schools	Junior/senior high schools	
Lackland	603	314	917
Randolph Field	535	503	1,038
Fort Sam Houston	866	534	1,400
<b>Total</b>	<b>2,004</b>	<b>1,351</b>	<b>3,355</b>

Most military families in the San Antonio area do not live on military installations, and their children attend local schools. These schools, which are in districts adjacent to or near the three military districts, serve more children of military personnel than do the schools on the three military installations. For example, during the 1985-86 school year, 11,508 children of military parents attended schools in Bexar County in addition to the 3,355 at the three military school districts. Two other major military installations in San Antonio—Kelly and Brooks Air Force Bases—have no schools, and about 600 children of military personnel assigned to those bases and living on federal property attended schools in adjoining school districts. In the 1985-86 school year, the total enrollment for the 12 other school districts in Bexar County was about 211,000, with individual districts' enrollments ranging from about 1,700 to over 60,000. Figure 1 shows the locations of the

**Impact Aid: San Antonio Military School Districts Can Adjust to Reduced Federal Assistance**

three military school districts, the other 12 school districts in Bexar County, and one district (Schertz-Cibolo-Universal City) which—while not in Bexar County—adjoins the Randolph Field school district.

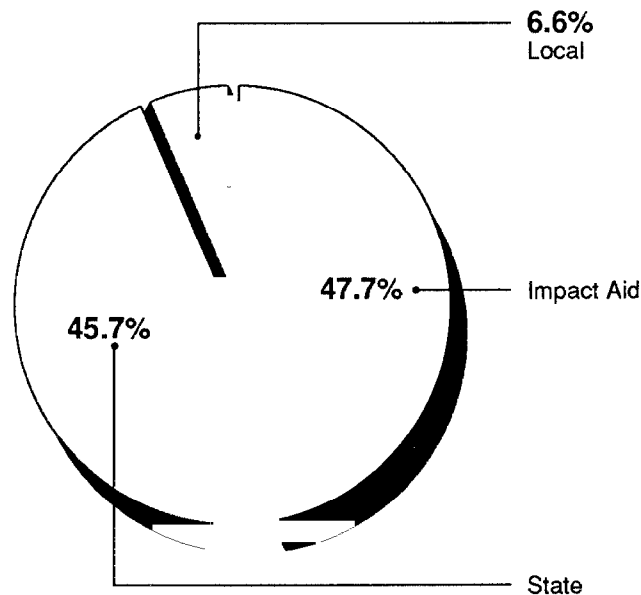
**Figure 1: San Antonio Area Independent School Districts**



- |                      |                               |
|----------------------|-------------------------------|
| 1. San Antonio       | 10. Ft. Sam Houston           |
| 2. Harlandale        | 11. Judson                    |
| 3. Southside         | 12. East Central              |
| 4. Southwest         | 13. Randolph Field            |
| 5. South San Antonio | 14. Lackland                  |
| 6. Edgewood          | 15. Somerset                  |
| 7. Northside         | 16. Schertz-Cibolo-Univ. City |
| 8. North East        |                               |
| 9. Alamo Heights     |                               |

During the 1985-86 school year, the three San Antonio military school districts received a total of about \$15 million in federal, state, and local revenues. About \$7 million was provided by the Department of Education under Public Law 81-874, commonly known as the Impact Aid Act; another \$7 million was provided by the state of Texas. Other revenue of about \$1 million was generated from short-term interest and other income sources, such as cafeteria operations and athletic programs. (See fig. 2.)

**Figure 2: Revenue Sources for Three San Antonio Military School Districts**  
(School Year 1985-86)



Although the military school districts serve installation children, they receive no funds from DOD. Further, because they are located entirely on federally owned property, which is nontaxable, they are unable to generate revenue from local sources in the form of property taxes as do other school districts.

## Federal Impact Aid

The Impact Aid Program, administered by the Department of Education, provides financial assistance to local school districts where the federal government has acquired property. Such property is generally not taxable by local jurisdictions, which may create a financial burden for the local education agency, which depends on property taxes for funding.

The amount of assistance to a school district depends upon a number of factors, the most significant being how many students reside on federal property and whether their parents work on federal property.

The children considered in funding determinations are often referred to as “federally connected” and are categorized as

- “A” children, who reside on federal property and have a parent employed on federal property or on active duty in the uniformed services, and
- “B” children, who reside on federal property or have a parent employed on federal property or on active duty in the uniformed services.

The Congress recognized that “A” children impose a greater burden on local school districts’ budgets in terms of lost revenues from property, income, sales, and other potential local taxes than do “B” children. Thus, the law authorizes the Department of Education to pay local school districts more funds per capita for “A” children.

Local school districts with 20 percent or more of their total students classified as “A” children are designated “super A” districts and receive more federal funds than do “regular A” districts, which have less than 20 percent “A” children. In recent years, super A districts have received about three times more funds per pupil than have regular A districts.

Impact aid is not an entitlement program in the strictest sense, because payments to local school districts, while based on legislated formulas, are limited by federal appropriation levels. In recent years, annual appropriations have been insufficient to provide full formula funding, so pro rata reductions have been made, usually to regular A districts after full formula funding of super A districts.

The procedures the Department of Education uses to determine impact aid payment rates to school districts are contained in the Code of Federal Regulations (34 C.F.R. Part 222, Subpart D). The regulations give local school districts two alternatives for determining this rate. The districts select either

- one-half the national average per-pupil expenditure or one-half the state average per-pupil expenditure, whichever is larger, or
- the average of the local per-pupil expenditures of at least 10 comparable school districts in the state, which are identified by the local education agency using state-supplied data.

In addition, a hold-harmless provision ensures that a school district will receive no less than 90 percent of its prior year's impact aid payment rate. For several years before the 1985-86 school year, the three San Antonio military districts computed their impact aid payment rates using a former comparable district method. The method yielded a rate for 1984-85 of \$2,490, while the rate based on national expenditures was \$1,430. (A rate based on one-half the state average would have been less than the national rate.)

The Department of Education changed the procedures for determining impact aid payment rates effective beginning with the 1985-86 school year. The Department believed that the procedures in effect at that time provided too much latitude for selecting districts that were not comparable based on objective factors related to educational costs, and that the impact aid districts were often selecting comparable districts solely on the basis of high expenditure levels in order to obtain higher payment rates.

The new regulatory procedures limit the range of "comparable" districts by requiring that the districts number at least 10 and meet specified comparability tests in terms of similar grade spans, enrollments, and location (e.g., urban versus rural). When these procedures were used to determine the impact aid payment rate for the San Antonio military districts, the rate yielded was lower than the minimum guaranteed by the law—in this case one-half the national average—which would have provided an impact aid payment of \$1,430, or 43 percent less per pupil than the prior year's level. However, because reductions are limited to 10 percent annually by the hold-harmless provision, the three districts experienced reductions averaging \$250 per pupil in 1986. Such graduated reductions continued until the 1987-88 school year, when the rate based on the national average was reached.

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## State Funding

Like all Texas independent school districts, the three San Antonio military school districts receive Foundation School Program funds from the state. The Foundation Program was established to guarantee that each school district in the state has adequate resources to provide every student a suitable education. State funding is based on a formula that considers many factors, including the value of taxable property in the district. School districts with less than the state average property value per pupil generally receive more state funding than districts that have a higher average value. For the 1985-86 school year, the three military districts received over \$2,000 per pupil in state foundation funds. Their

average state revenue per pupil was 13 percent higher than the average state funding per pupil in the other 12 Bexar County school districts in that year.

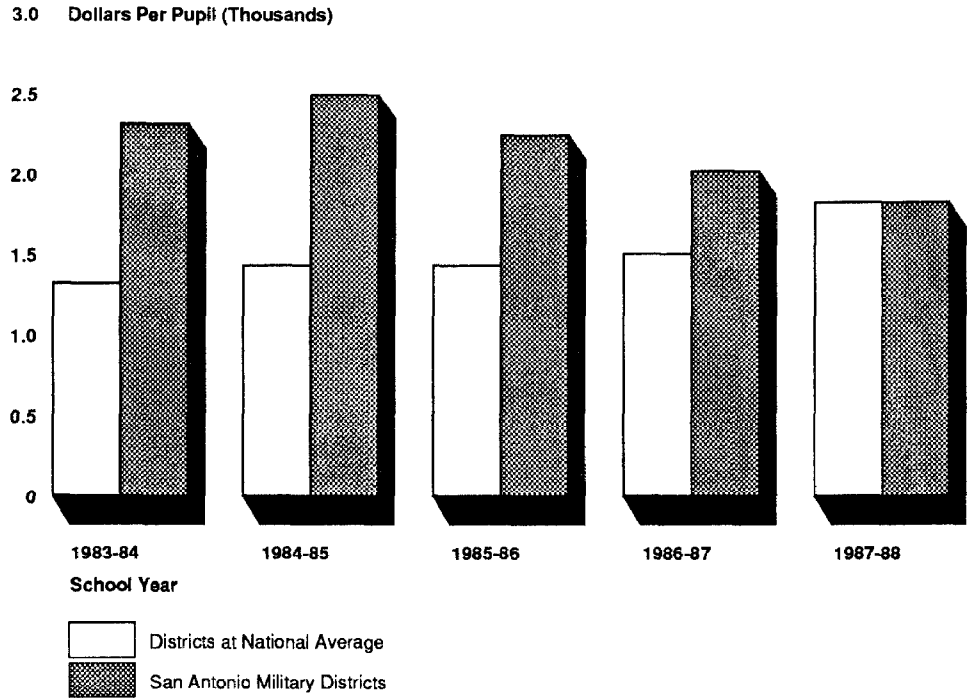
The three military school districts are referred to as coterminous districts because their boundaries are the same as the boundaries of the military installations on which they are located. Department of Education officials said that there are three other coterminous school districts in the United States—at Williams Air Force Base and Fort Huachuca in Arizona and Fort Leavenworth in Kansas. All six coterminous districts are funded primarily by impact aid and state revenues.

## Reasonableness of Impact Aid Payment Reductions

The reductions by the Department of Education in impact aid payments to the three military districts in San Antonio, imposed beginning in school year 1985-86, are reasonable and appropriate. Before the Department changed the procedures for calculating impact aid payments, the three districts based their impact aid claims on a comparability analysis of 10 Texas local school districts with average expenditures 119 percent higher than the Texas statewide average. As a result, even after the 10-percent hold-harmless reduction for school year 1985-86, the three districts still received 57 percent more in impact aid than other local school districts, whose payments for federally connected children were based on one-half the national average. Impact aid payments to the three districts decreased to one-half the national average in 1987-88 (\$1,824 per pupil). These impact aid payments are now consistent with payments to other super A districts in states with similar education spending levels—i.e., those that spend at or below the national average for education on a per-pupil basis. During the 1985-86 school year, 27 states (including Texas) had per-pupil expenditures lower than the national average.

Figure 3 compares the super A impact aid payment per pupil for the three military districts with payments to about 150 other super A districts in 27 states (including Texas) that were paid based on the national average. For example, there are two super A districts in Texas in addition to the three military districts. These two districts received impact aid based on one-half the national average per-pupil expenditure, or \$1,430 per student. The 1985-86 payment to the three districts of \$2,241 per pupil was 57 percent higher than that received by the other two districts.

Figure 3: Comparisons of Impact Aid Payments Per Super A Student



### Comparison of Local Revenue Per Pupil With Impact Aid Payments

Impact aid is intended to help compensate local school districts by substituting for the loss of local tax revenues associated with tax-exempt federal property in their jurisdictions. Because the three San Antonio military school districts are located entirely on federally owned property, impact aid takes the place of local tax revenues. Therefore, to assess the appropriateness of the per-pupil impact aid payments to the three districts, we compared them to per-pupil local average revenue generated by the 12 other Bexar County school districts. Per-pupil impact aid payments to the three military districts (\$2,241) exceeded average local revenues per pupil for the 12 districts (\$921) by \$1,320, or 143 percent.

Only 1 of the 12 districts, Alamo Heights, had higher per-pupil local revenue than the per-pupil impact aid payments to the three military districts. Alamo Heights' property values are higher than the state average, and about 85 percent of its school operating expenses come from local revenue sources.



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## Magnitude of Military Districts' Funding Problems

Revenue and expenditure projections by the three San Antonio military school districts indicate that the Lackland district revenues will continue to be sufficient to cover expenditures, while the Fort Sam Houston and Randolph Field districts will encounter funding deficits in school years 1989-90 and 1990-91, respectively. The three districts had more revenue per pupil in the 1985-86 school year than the other 12 Bexar County school districts. The Fort Sam Houston district spent more per pupil than any of the other districts, and the Randolph Field and Lackland districts spent more than 11 of the other 12 districts. If the projections are accurate, current funding will not be adequate for the Fort Sam Houston and Randolph Field districts to continue to operate as they are now. These districts will need to obtain additional funds, reduce education services to students, or adopt alternative ways of educating the students on the installations.

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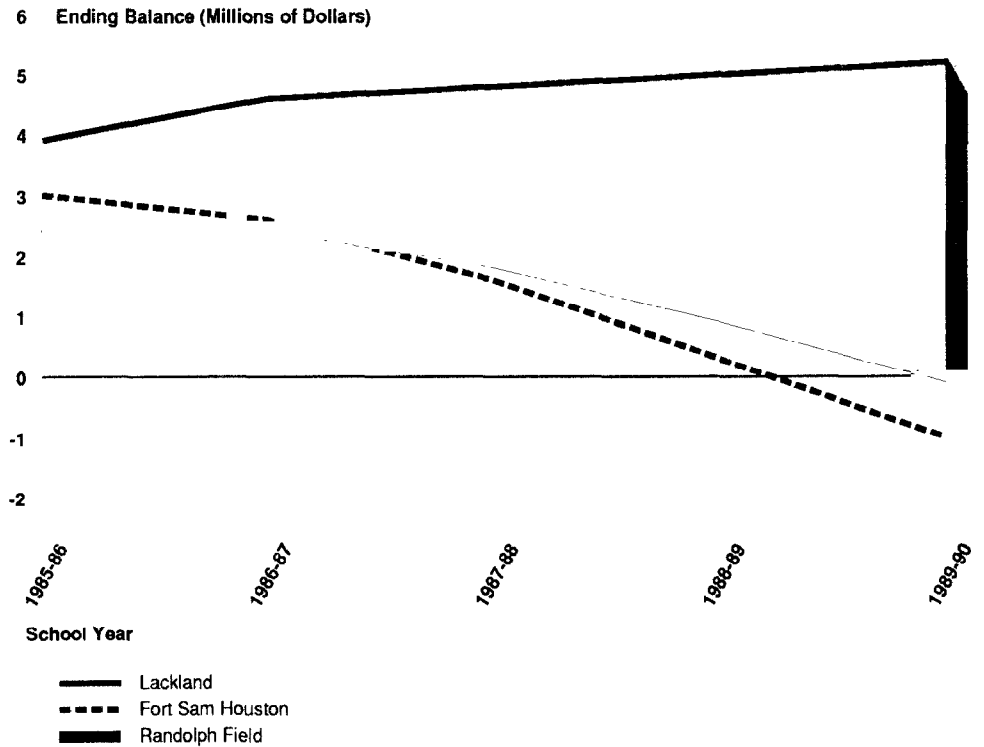
## Districts' Financial Projections

Each of the three military school districts has developed budget projections using school year 1985-86 actual revenues and expenditures as the baseline. The districts' financial projections, which are illustrated in figure 4, reflect the impact aid reductions and projected expenditures based on an annual inflation rate of between 5 and 6 percent.

The Lackland district, with fewer curriculum and extracurricular offerings at the secondary level and lower per-pupil expenditures than the other two San Antonio military districts in 1985-86, projected revenues exceeding expenditures each year through 1989-90. After our fieldwork, the Lackland district revised its estimates and currently projects that expenditures will exceed revenues in 1987-88. The district advised us that it plans to spend \$1.8 million on capital expenditures. Fort Sam Houston, with the highest per-pupil expenditure in 1985-86, projects a deficit in the 1989-90 school year. Randolph Field's projection shows adequate funding through the 1989-90 school year, but insufficient cash on hand to begin the 1990-91 school year.

Comparing the information in tables 2 and 5 shows that average per-pupil revenues exceeded expenditures by 22 percent at the three military districts and by 2 percent at the other 12 Bexar County districts in school year 1985-86. In the past, differences between the revenues and expenditures of the three military districts were accumulated in cash reserves. As indicated in figure 4, revenues and expenditures of these districts will be more closely aligned in the future, thereby reducing or eliminating the buildup of cash reserves.

Figure 4: Military School Districts' Cash Reserve Projections (As of 1987)



The Lackland district recently revised its revenue and expenditure estimates for 1987-88, which may affect its cash reserve projections

### Revenue Comparisons

In the 1985-86 school year, each of the 3 military districts had higher per-pupil revenue than all of the other 12 school districts in Bexar County. As shown in table 2, the difference is primarily attributable to higher impact aid payments to the 3 military school districts (which are intended to compensate for lost local tax revenues) compared to the average local revenues of the other 12 districts. The average revenue per pupil for the 3 districts was \$4,922, or 62 percent higher than the average revenue of \$3,045 for the other 12.

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Districts Can Adjust to Reduced  
Federal Assistance**

**Table 2: Comparisons of Revenue  
Sources—Bexar County School Districts**  
(School Year 1985-86) (Per Pupil)

District	Local <sup>a</sup>	State	Federal <sup>b</sup>	Total
Alamo Heights	\$3,658	\$472	\$55	<b>\$4,184</b>
Harlandale	423	2,512	170	<b>3,105</b>
Edgewood	332	2,758	255	<b>3,346</b>
San Antonio	804	2,250	211	<b>3,265</b>
So. San Antonio	346	2,433	183	<b>2,962</b>
Somerset	346	2,169	142	<b>2,657</b>
North East	1,643	1,245	45	<b>2,932</b>
East Central	669	2,067	69	<b>2,804</b>
Southwest	298	2,452	137	<b>2,887</b>
Northside	1,012	1,668	96	<b>2,776</b>
Judson	811	1,839	91	<b>2,741</b>
Southside	375	2,488	211	<b>3,075</b>
<b>Average</b>	<b>921</b>	<b>1,981</b>	<b>143</b>	<b>3,045</b>
Randolph	343	2,226	2,302	<b>4,871</b>
Lackland	409	2,424	2,585	<b>5,418</b>
Fort Sam Houston	347	2,157	2,148	<b>4,651</b>
<b>Average</b>	<b>362</b>	<b>2,249</b>	<b>2,311</b>	<b>4,922</b>
<b>Difference</b>	<b>(559)</b>	<b>268</b>	<b>2,186</b>	<b>1,878</b>

<sup>a</sup>Local revenue for the military school districts is from short-term interest on federal and state funds and proceeds from local functions.

<sup>b</sup>Includes impact aid as well as other federal financial assistance

The three San Antonio districts also had higher revenues per pupil than the other three coterminous districts, as shown in table 3. The per-pupil average revenue in school year 1985-86 for the San Antonio districts was 89.2 percent higher than that of the other coterminous districts.

**Table 3: Per-Pupil Revenue for All  
Coterminous School Districts**  
(School Year 1985-86)

School district	Per-pupil revenue
Randolph Field	\$4,871
Lackland	5,418
Fort Sam Houston	4,651
<b>Average</b>	<b>4,922</b>
Fort Leavenworth, Kansas	2,544
Fort Huachuca, Arizona	2,054
Williams Air Force Base, Arizona	2,846
<b>Average</b>	<b>\$2,602</b>

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**Impact Aid: San Antonio Military School  
Districts Can Adjust to Reduced  
Federal Assistance**

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Lackland, the smallest of the three districts, had the highest per-pupil revenue. Federal revenue per pupil was higher principally because Lackland accepted proportionately fewer students who live off military installations ("B" children) than did the other two districts (see table 4). Impact aid for a "B" child during the 1985-86 school year was less than \$40, while the payment per "A" child was \$2,241.

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**Table 4: Military School District  
Enrollments** (School Year 1985-86)

<b>District</b>	<b>Total enrollment</b>	<b>"B" children</b>	<b>Percentage</b>
Lackland	917	11	1.2
Randolph	1,038	62	6.0
Fort Sam Houston	1,400	137	9.8
<b>Total</b>	<b>3,355</b>	<b>210</b>	<b>6.3</b>

Also, as shown in table 2, Lackland had higher state revenue per pupil than the other two districts in the 1985-86 school year. The primary reason for this is because the Foundation School Program formula takes into account school district size. Smaller districts such as Lackland, with other factors being equal, receive more state funds than larger districts.

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## Expenditure Comparisons

Table 5 shows the Bexar County school districts' per-pupil expenditures for the 1985-86 school year. The average expenditure per pupil for the three military districts was \$4,023, or 35 percent higher than the average (\$2,984) for the 12 local school districts. Randolph Field and Lackland spent less per pupil than the highest cost local school district, Alamo Heights, but more than the other 11 Bexar County districts. Fort Sam Houston's expenditures per pupil were higher than any Bexar County district.

Payroll costs, which made up the largest portion of school district expenditures in Bexar County, ranged from 79 to 91 percent of the districts' total expenditures in school year 1985-86. Table 6 shows that the average per-pupil payroll expenditures of the three military districts were among the highest of the 15 Bexar County school districts.

**Impact Aid: San Antonio Military School Districts Can Adjust to Reduced Federal Assistance**

**Table 5: Bexar County School Districts' Per-Pupil Operating Expenditures**  
(School Year 1985-86)

Total expenditures in millions			
District	Average daily attendance	Total expenditures	Per-pupil expenditure
Alamo Heights	2,972	\$12.2	\$4,121
Harlandale	14,163	41.0	2,893
Edgewood	14,505	45.7	3,152
San Antonio	57,294	183.2	3,197
So. San Antonio	10,369	30.2	2,912
Somerset	1,681	4.1	2,424
North East	34,312	101.6	1,962
East Central	5,014	14.4	2,873
Southwest	5,908	15.1	1,561
Northside	39,547	110.7	2,798
Judson	10,465	28.0	2,679
Southside	2,179	5.8	2,676
<b>Average—12 nearby districts</b>			<b>2,984</b>
Randolph	996	4.0	4,057
Lackland	804	2.9	3,647
Fort Sam Houston	1,295	5.5	4,230
<b>Average—3 military districts</b>			<b>4,023</b>

**Table 6: Bexar County School District Operating Expenditures and Payroll Costs** (School Year 1985-86)

District	Average daily attendance	Total expenditures	Payroll costs	Payroll per pupil
<b>Fort Sam Houston</b>	<b>1,295</b>	<b>\$5,478,246</b>	<b>\$4,808,683</b>	<b>\$3,713</b>
Alamo Heights	2,972	12,247,188	10,226,818	3,441
<b>Randolph</b>	<b>996</b>	<b>4,040,716</b>	<b>3,351,501</b>	<b>3,365</b>
<b>Lackland</b>	<b>804</b>	<b>2,931,789</b>	<b>2,597,878</b>	<b>3,231</b>
San Antonio	57,294	183,174,159	167,056,402	2,916
Edgewood	14,505	45,720,878	39,573,372	2,728
Harlandale	14,163	40,975,572	36,079,887	2,547
So. San Antonio	10,369	30,198,424	25,403,427	2,450
North East	34,312	101,639,248	82,275,268	2,398
Northside	39,547	110,664,249	93,270,657	2,358
Southside	2,179	5,832,057	4,967,301	2,280
East Central	5,014	14,405,935	11,340,322	2,262
Judson	10,465	28,031,586	22,906,114	2,189
Southwest	5,908	15,128,899	11,761,758	1,991
Somerset	1,681	4,075,382	3,208,394	1,909

According to officials of the three military school districts, their districts maintain teacher salary schedules that are comparable with the larger surrounding districts and competitive for high-quality teachers. They stated that their payroll costs per pupil are higher than other districts because of their

- higher salaries for teachers, who have more advanced degrees and more years of experience, and
- relatively small enrollments and high school class sizes.

For example, Cole High School at Fort Sam Houston, the largest of the three high schools, had only 57 seniors as of October 31, 1986. The small number of students results in small class sizes (eight or nine students) for such subjects as physics, chemistry, and advanced math, thus increasing per-pupil expenditures.

Lackland had lower per-pupil expenditures than the other two military districts during the 1985-86 school year. The Lackland superintendent said that he anticipated the impact aid funding reductions and tried to hold expenditures down. Also, Lackland Junior-Senior High School, with 23 seniors during the 1985-86 school year, did not offer honors programs because they would cost too much with such a small enrollment. Randolph Field and Fort Sam Houston did offer honors courses.

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## **Funding and Operating Alternatives for the Military School Districts**

Revenue and expenditure projections by the three military school districts indicate that two of them will experience funding deficits in the next 2 to 3 years. Unless additional revenues are obtained, the military district school boards—which govern the school districts—will need to reduce education services or explore other alternatives to existing operations. Such alternatives include consolidation with adjacent school districts, reorganization to transfer high school programs to local school districts, or tuition arrangements with adjoining districts to educate some or all of the military students.

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## **Additional Revenue Sources**

The military school districts have three potential sources for obtaining additional funding: the Texas Education Agency, the Department of Defense, and the Department of Education. As discussed below, the feasibility of additional funding from Texas appears unlikely, and—in our opinion—increasing federal funding to those districts to a level higher than that provided other heavily impacted districts would be inappropriate.

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## State Funding

According to the commissioner of the Texas Education Agency, state funding for Texas school districts is based on a legislatively prescribed formula, and the agency has no discretionary funds for school districts. The commissioner said that the three San Antonio districts could approach state legislators for special assistance, but he could not predict how successful such an effort would be. At the time we were completing our fieldwork, the future of state funding for education was unclear because (1) the Texas legislature was working on a solution to the state's deficit problem, which could include cuts in funding for education, and (2) a Texas district court ruled on April 29, 1987, that Texas' system of public school financing is unconstitutional in that it short-changed students in poor districts. The court found that districts with lower taxable property bases cannot raise sufficient local taxes to fund a quality education. The court ruling could result in readjustments of school districts' boundaries and changes in the formula for allocating state education funding.

## Department of Defense Funding

DOD currently funds 17 schools located on military installations in the United States to educate children of parents in the Armed Forces. These "section 6 schools" are authorized under section 6 of the impact aid legislation and are entirely DOD funded, receiving no state or impact aid funds.

Converting the three San Antonio school districts to section 6 schools would probably be impractical for two principal reasons. First, the Congress has indicated that continued federal responsibility for such schools may no longer be necessary, and DOD is studying alternatives to funding and operating the 17 existing section 6 schools. Second, such a conversion could be disruptive to employees of the three military school districts. For example, some of these employees have many years of service under the Texas Teachers Retirement System, and it is possible they could lose their vested financial interest in their pensions because section 6 school personnel are DOD employees under federal civil service retirement systems. The issues involved in operating section 6 schools are discussed in more detail in our December 1986 report DOD Schools: Funding and Operating Alternatives for Education of Dependents (GAO/HRD-87-16, Dec. 10, 1986).

## Department of Education Funding

According to Department of Education officials, the law allows additional financial assistance to highly impacted school districts that

(1) have enrollments composed of at least 50 percent federally connected children; (2) demonstrate that impact aid funds together with state and local funds are insufficient to provide a level of education equivalent to that provided in comparable school districts in the state; (3) avail themselves of other sources of revenue; (4) make a reasonable tax effort; and (5) are eligible for state aid on the same basis as other districts in their state. The three military districts in San Antonio have not qualified in the past because their revenues and expenditures have been above their comparable districts' averages.

Recent legislation (P.L. 100-297, April 28, 1988) amends the impact aid program to allow coterminous districts, under certain conditions, to receive impact aid payments up to 70 percent, rather than 50 percent, of the national average per-pupil cost. This legislation was enacted after we completed our review. We did not have an opportunity to fully evaluate its applicability to the coterminous districts. However, if the three districts do qualify for the additional impact aid, it would continue the disparity in the funding levels of the San Antonio districts compared to the nearby Bexar County districts and other heavily impacted districts in states with similar education spending levels. Furthermore, it might provide a precedent for other super A districts to seek a similar increase in the percentage of the national average per-pupil cost upon which their impact aid payments are based. If all such districts' payments were increased from 50 to 70 percent of the national average, the Department of Education estimates a \$133 million (28-percent) annual increase in impact aid payments. To the extent that the Congress does not increase impact aid appropriations by a like amount, other districts receiving such aid would likely experience funding reductions to compensate for the increase to the heavily impacted districts. Because super A districts have been funded at full formula levels in recent years, with regular A districts absorbing shortfalls on a pro rata basis, the latter districts would likely incur the reductions needed to offset the increases to the coterminous districts.

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## **Alternatives to Existing School District Operations**

In the absence of additional revenues, there are alternatives that the three military districts can consider to avoid reductions in educational services. Three such alternatives are (1) consolidation with nearby local districts, (2) reorganization to discontinue high school operations and provide for educating high school students in local districts, and (3) tuition and transfer arrangements with nearby districts.



**Impact Aid: San Antonio Military School Districts Can Adjust to Reduced Federal Assistance**

**Consolidation With Adjacent School Districts**

The three military districts are adjacent to nine other school districts, each of which is larger than the military districts. Further, some adjacent districts already educate more military family children than do the military districts, as shown in table 7.

**Table 7: Enrollment Comparisons of Military and Nearby School Districts<sup>a</sup>**  
(School Year 1985-86)

District	Total enrollment	Number of children with parents in the Armed Forces
<b>Adjacent to Fort Sam Houston:</b>		
Judson	11,326	2,635
Northeast	36,884	3,037
Alamo Heights	3,135	27
San Antonio	60,514	632
Fort Sam Houston	1,399	1,399
<b>Adjacent to Randolph Field:</b>		
Judson	11,326	2,635
Schertz-Cibolo-Universal City	3,419	472
Randolph Field	1,102	1,102
<b>Adjacent to Lackland:</b>		
Edgewood	15,617	497
Northside	42,429	4,076
Southwest	6,592	154
So. San Antonio	11,230	193
Lackland	875	875

<sup>a</sup>These enrollment figures were obtained from the districts' impact aid applications. They differ slightly from numbers in previous tables, which were based on Texas Education Agency average daily attendance figures. Some of those enrolled at the three military districts are children of school district employees.

We discussed with officials of the nine adjacent school districts the possibility of their working with the military district school boards to develop plans to absorb military installation students. For each of the three military districts, we gave these officials information on enrollments, school facilities, and levels of federal funding associated with the military children. We discussed with them the possibility of transferring installation school buildings to their districts, since this had been done previously in other locations.

While the officials could not officially commit their districts, eight stated that they would be willing to work with the military installation school boards to develop possible consolidation plans. The official of the other district said that the district would probably not favor absorbing

the military children because it is not interested in expansion. (This district, which has the highest local per-pupil revenues in Bexar County, would receive federal and state payments for the military students that would be significantly less than the district's per-pupil expenditure levels.)

The military district school boards would need to initiate any action toward consolidating with other school districts. Under one provision of Texas law, the military school board could request that the state board of education abolish the district, and the Bexar County commissioners would decide which contiguous district would annex the military installation schools. According to the commissioner of the Texas Education Agency, every child in the state must be within a school district.

**Military School District  
Reorganization**

Another alternative the military school districts could explore would be to operate elementary schools and abolish junior-senior high schools. The per-pupil expenditure for junior-senior high school students substantially exceeded those for elementary school students. For example, as shown in table 8, per-pupil expenditures at the Fort Sam Houston junior-senior high school for school year 1985-86 were 51 percent higher than in the elementary school (\$5,393 versus \$3,581). If junior-senior high school programs were transferred to other local districts and the military school districts operated only the elementary schools, per-pupil revenues (after reducing impact aid to one-half the national average expenditure of \$1,430) appear to be more than sufficient to maintain education services levels for the elementary children. None of the other coterminous school districts and only 4 of the 17 section 6 schools in the United States operate high schools.

**Table 8: Comparison of Estimated Per-Pupil Revenues and Expenditures Before and After Impact Aid Reduction—Fort Sam Houston School District** (Based on School Year 1985-86)

	<b>Expenditures</b>	<b>Current revenues</b>	<b>Excess (deficit)</b>	<b>Reduced revenues</b>	<b>Excess (deficit)</b>
Combined	\$4,230	\$4,651	\$421	\$3,934	\$(296)
Elementary	3,581	4,651	1,070	3,934	353
High School	5,393	4,651	(742)	3,934	(1,459)

**Tuition Payments to Surrounding  
Districts**

Another alternative would be for the three military districts to pay tuition to surrounding districts for their high school and/or junior high school students. According to Department of Education officials, a military district could continue to receive impact aid and use it to pay tuition to another school district. The 1985-86 impact aid payment based

on one-half the national average per-pupil expenditure, combined with that year's state payment, would have been more than the per-pupil expenditures at all but one of the surrounding districts. Thus, except for that one district (which was not interested in expansion), future revenues would appear to be adequate to cover tuition at nearby districts under existing funding and operating practices.

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## Conclusions

Impact aid payment reductions to the three military school districts are reasonable and appropriate. The reductions, through the hold-harmless provision, have gradually moved impact aid payments to the three districts to a level comparable to amounts paid other super A districts. Moreover, past impact aid payments to the three military districts appear to have more than adequately compensated for lost tax revenue when compared with local revenues of other Bexar County school districts.

Revenue and expenditure projections of the military districts show that if they continue to provide about the same level of education services to students:

- Fort Sam Houston will experience a funding deficit in the 1989-90 school year.
- Randolph Field will experience a funding deficit in the 1990-91 school year.
- Lackland's revenues will continue to be sufficient to cover expenditures in the foreseeable future.

Additional funding from the state of Texas for the Fort Sam Houston, Lackland, and Randolph Field school districts is unlikely, and increased federal funding would provide inappropriately high payments, which would be inconsistent with other heavily impacted and nearby local school districts. To reduce operating costs, officials of the three districts could consider alternative ways of educating some or all of their students, such as by consolidating with—or transferring students to—nearby local school districts. Discussions and negotiations with surrounding school districts regarding such actions would need to be initiated promptly to avoid reducing education services to the military districts' students.

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## Agency Comments and Our Evaluation

The Department of Education concurred in our report and said it agrees with our conclusions (see app. II).

The superintendents of the three coterminous military school districts disagreed with our conclusion that, in the absence of additional federal or state revenues, the districts could consider consolidation with, or student transfers to, nearby local school districts (see app. III). They pointed out that in 1960 nearby public schools became overcrowded and refused to educate military district students, and they are concerned it could happen again. As discussed on page 23, officials of eight adjacent school districts expressed a willingness to work with the military school boards on consolidation.

The superintendents believe federal impact aid to their districts should be increased as proposed in H.R. 5 because of the financial burden of educating military children without a local tax revenue source.<sup>1</sup> As discussed on page 14, per-pupil impact aid payments to the three districts (\$2,241) were almost 2-1/2 times larger than average local per-pupil revenues of the other 12 Bexar County school districts (\$921). Because these payments have been greater than needed to offset lost local tax revenues and substantially greater than those made to most other heavily impacted school districts in the nation, we continue to believe that the reductions by the Department are appropriate.

The superintendents noted that in a recent report we had recommended that certain schools for dependents located on military installations and fully funded by DOD consider converting to a coterminous structure (see p. 21). While we recommended in our December 1986 report on DOD schools that the Secretaries of Education and the military services generally support a change to a coterminous type of organization for the schools currently funded entirely by DOD, we noted that in any particular situation there may be a more appropriate alternative, such as transferring students to local school districts. We also noted that merging these districts with existing districts might be more appropriate at some later date. Of the 17 installations with DOD schools, only 4 operate high schools, and 3 of these have individual enrollments that are greater than the combined enrollments of the three San Antonio military districts.

According to the superintendents, consolidation or any other arrangement cannot be justified under Texas law. As noted on page 24, Texas

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<sup>1</sup>Legislation was enacted on April 28, 1988, incorporating a provision that could provide additional impact aid to coterminous school districts (see p. 22).

law contains provisions whereby a military district school board could request the state board of education to abolish the district, and the county commissioners could select an adjoining district to annex the installation schools. Furthermore, according to the commissioner of the Texas Education Agency, Texas law permits school districts to operate a system that does not have all 12 grades.

The superintendents took issue with our discussion of payroll costs, noting that their payroll costs as a percentage of total expenditures were at the low range in Bexar County and that their salary schedules were comparable to other nearby districts. We did not conclude that the three districts' relative payroll costs and salary schedules were high. Rather, we pointed out that their payroll costs per pupil were among the highest in Bexar County, due in part (according to military school district officials) to their small high school enrollments.

About 70 (rather than 600) children live on Kelly and Brooks Air Force Bases and attend schools in adjoining districts (see p. 8), according to the superintendents. The impact aid applications submitted to the Department by two adjoining districts claim almost 600 students living on federal property whose parents are assigned to Kelly and Brooks Air Force Bases. A military school district official indicated that the discrepancy is attributable to children of military personnel assigned to the bases who live on federal property which—while near the bases—is not considered part of the bases.

According to the superintendents, the three military districts have a higher proportion of handicapped students than the other San Antonio area districts, which increases per-pupil expenditures. While we recognize that it is more costly to educate handicapped children, both Texas and the federal impact aid program provide additional funds to school districts for handicapped children. For example, the impact aid rate is 50 percent greater for such children than the rate paid for nonhandicapped students. Furthermore, educating these children in larger school systems could contribute to lower per-pupil expenditures (because expenditures are spread over more students), while maintaining current service levels.

We made changes to the report, where appropriate, to reflect the above and other comments and information provided by the Department of Education and the superintendents.

# Objectives, Scope, and Methodology

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Based on Senator Bentsen's April 16, 1986, letter and later discussions with his office, our objectives were to (1) evaluate the reasonableness of Department of Education reductions in impact aid payments to the three military school districts, (2) determine the magnitude of the funding problems the schools say they have, and (3) help identify alternatives for educating the school children of military installation families.

To evaluate the reasonableness of impact aid payment reductions, we (1) reviewed federal regulations and discussed payment procedures with Department of Education officials, (2) compared impact aid payments for the three San Antonio military districts with payments received by the other three coterminous military school districts, and (3) compared the three districts' per-pupil payments to other super A military school districts.

To determine the magnitude of the funding problem, we (1) analyzed the budget projections prepared by the three school districts; (2) obtained data on impact aid payments from the Department of Education, Washington, D.C.; (3) obtained information on state funding from the Texas Education Agency in Austin; and (4) compared revenues and expenses of the three military school districts with those of the other 12 Bexar County school districts and the other three coterminous school districts. To make revenue and expenditure comparisons, we used school districts' 1985-86 audited financial statements. We calculated per-pupil revenue and expenditures by dividing total revenues and expenditures by each district's reported average daily attendance. To compare per-pupil expenditures, we focused on operating costs and excluded debt service and capital outlay expenditures because such costs and sources of capital vary, and including them could distort comparisons among districts.

To help identify alternatives to ensure that the federal government is adequately meeting its financial obligation to military family children, we (1) contacted officials within the Departments of Education and Defense and the Texas Education Agency to obtain information on sources of additional revenue that might be available to the three districts; (2) obtained information from the Texas agency on the enrollments, costs, and revenues of the public school districts in the San Antonio area; (3) obtained information from the Texas agency regarding the procedures for reorganizing and consolidating school districts; and (4) interviewed superintendents and other officials of adjacent school districts to obtain their views on the conditions under which their districts could accept some or all of the military installations' school children.

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**Appendix I**  
**Objectives, Scope, and Methodology**

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We obtained impact aid payment and other funding and education-related information for our comparisons from the other three coterminous school districts, a local school district that educates military dependents under a contract with DOD, and schools operated and funded entirely by DOD. We issued a report on the latter kind of funding arrangements in December 1986 (see p. 21).

Our work was performed between June 1986 and June 1987 in accordance with generally accepted government auditing standards.

# Comments From the Department of Education



UNITED STATES DEPARTMENT OF EDUCATION  
OFFICE OF THE ASSISTANT SECRETARY  
FOR ELEMENTARY AND SECONDARY EDUCATION

14 MAR 1988

Mr. Lawrence H. Thompson  
Assistant Comptroller General  
United States General Accounting Office  
Washington, D.C. 20548

Dear Mr. Thompson:

The Secretary has asked that I respond to your request for our comments on your draft report, "Impact Aid: San Antonio Military School Districts Can Adjust to Reduced Federal Assistance". The Department concurs in the report and supports the report's conclusions.

Thank you for the opportunity to comment. I and members of my staff are prepared to respond, if you or your representatives have any questions.

Sincerely,

A handwritten signature in cursive script that reads "Beryl Dorsett".

Beryl Dorsett  
Assistant Secretary

400 MARYLAND AVE. S.W. WASHINGTON, D.C. 20202



# Comments From the Lackland, Randolph Field, and Fort Sam Houston Independent School Districts

LACKLAND INDEPENDENT SCHOOL DISTRICT  
8265 Bong Avenue  
LACKLAND AIR FORCE BASE  
Michael L. Nelms, Superintendent  
SAN ANTONIO, TEXAS 78236

RANDOLPH FIELD INDEPENDENT SCHOOL DISTRICT  
CLAUDE A. HEARN, JR.  
SUPERINTENDENT OF SCHOOLS  
POST OFFICE BOX 2217  
UNIVERSAL CITY, TEXAS  
78148

*Fort Sam Houston Independent School District*  
1900 WINANS ROAD  
SAN ANTONIO, TEXAS 78218  
512/824-7539

March 1, 1988

THOMAS E. MOSELEY  
SUPERINTENDENT

Mr. Lawrence H. Thompson  
Assistant Comptroller General  
United States  
General Accounting Office  
Washington, D. C. 20548

Dear Mr. Thompson:

The Superintendents of the three coterminous military reservation school districts located on Lackland Air Force Base, Randolph Field and Fort Sam Houston, all in Bexar County, Texas are responding in a joint reply to the GAO report issued February 11, 1988.

In a conference held prior to the GAO study of the coterminous districts, the Superintendents were advised that GAO only presented the facts and did not draw conclusions. However, in reviewing the preliminary GAO draft, it is obvious that GAO did not follow their own proposed procedures.

Nevertheless, the alternatives proposed did not include the only viable solution to the coterminous funding problem. The federal legislation now passed the Senate in S.373, contains the solution, and reads, as follows:

(e) COTERMINOUS AGENCY RULE - Section 3(h) of the Act is amended by adding at the end the following sentence: "For the fiscal year beginning October 1, 1987, and for each year thereafter, the local contribution rate for such coterminous agencies shall be not less than 70 per centum of the average per pupil expenditure in all States during the second preceding year prior to the fiscal year for which the determination is made."

Appendix III  
Comments From the Lackland, Randolph  
Field, and Fort Sam Houston Independent  
School Districts

As a matter of background information, the superintendents of the coterminous school districts had three high level meetings with the Department of Education Assistant Secretary and his staff to discuss the funding problem. After the second meeting, the funding problem was resolved by the Under Secretary, Dr. Gary Jones. The funding procedures were published in the Federal Register and coterminous districts thought the funding problem was resolved.

Upon the resignation of Under Secretary Jones, and without any warning or knowledge, changes in the coterminous funding were made by Department of Education that put the coterminous districts on a course of financial disaster.

It was common knowledge that department of Education wanted to pay all PL 874 eligible school districts like funds, including the coterminous districts, even though the Texas coterminous districts did not have a tax base. The rationale appeared to be that if all PL 874 eligible school districts received like funding, even coterminous, no school district would file a law suit against the United States Department of Education for all would be treated alike according to their procedures. The fact that the coterminous districts had no tax base was not considered as an exception to the rule.

The Texas Associate Commissioner of Education for Finance was present in two of the meetings with the Department of Education to explain State funding and the Local Contribution Rate based on comparable school districts. The United States Department of Education did not appear to be interested in the report and had predetermined a plan to destroy the coterminous districts financially.

The Randolph Field Independent School District Superintendent is in his 38th year as Superintendent and he can attest that the Local Contribution Rates were not more than the district was entitled to based on an annual increased cost of education in Texas.

Page 2  
KELLY AND BROOKS AIR FORCE BASE

Comment: There are only 48 students living on Kelly Air Force Base and less than 20 living on Brooks Air Force Base. Approximately half of the students living on Kelly Air Force Base attend school at Lackland Independent School District. GAO draft reports approximately 600 students living on Kelly and Brooks. Additionally, base officials at Kelly have requested that Lackland Independent School District take all students living on Kelly.

Page 3  
DEPARTMENT OF EDUCATION  
REDUCTION APPROPRIATE

Comment: It is obvious that this paragraph compares apples and oranges. The Department of Education did not state that in addition "to Payments to other federally impacted districts which was \$1430 per pupil",

Now on p. 8.

Now on p. 2.

Appendix III  
Comments From the Lackland, Randolph  
Field, and Fort Sam Houston Independent  
School Districts

the other districts had a local tax base. The \$1430 per pupil is in addition to local taxes.

Page 5  
ALTERNATIVES TO PRESENT DISTRICT OPERATIONS

Comment: The alternatives proposed are absurd. The federal government has an obligation to pay its share to provide education to the children residing in the coterminous military school districts. Consolidation or any other arrangement proposed cannot be legally justified under present Texas law. Independent School Districts with grades K - 12 are responsible for the education of students residing in the district. The comment and philosophy of D. O. E. concerning the state's obligation is, "the state created the districts, let them (the state) pay for it."

Page 6  
CONCLUSION

It is interesting under GAO conclusion "that increasing federal funding to the three school districts could enable them to continue operating as they are now but, such actions would perpetuate the funding inconsistencies between these and other nearby and heavily impacted school districts."

Again, other districts have a local tax base and coterminous districts do not have a tax base. The Impact Aid Legislation now in the Congress is the solution to the funding problem of the coterminous districts, not consolidation or any other arrangements.

The following statement is completely irresponsible and not rational, for the "officials of the three districts would need to initiate discussions and negotiations with surrounding districts regarding consolidation or student transfers. These discussions should take place as soon as practicable to provide for a prompt, orderly resolution of the districts' projected funding problems." It is inconceivable that GAO would project a conclusion of this nature. It apparently is done without any degree of knowledge of State law or federal responsibility.

Something that is conspicuous by its absence from the report is the success of the programs of these district (see appendix). It is indeed a hypocrisy for the Department of Education and other reports to claim the importance of quality education and then recommend that three of the most successful districts in the State/Nation consolidate into mediocrity. Also in a recent GAO report, their (GAO) concern was that the Bexar County Military Reservation School Districts should be the model and direction for Section 6 schools.

Page 17  
REASONABLENESS OF IMPACT AID PAYMENT REDUCTION

Comment: Again, the analysis does not distinguish between a school district with no tax base, and one with a tax base, so the percentage figures reflected are distorted.

Now on p. 3.

Now on p. 4.

Now on p. 13.

Appendix III  
Comments From the Lackland, Randolph  
Field, and Fort Sam Houston Independent  
School Districts

Now on p. 13.

Page 17-18  
IMPACT AID PAYMENT AND NATIONAL AVERAGE

Comment: GAO reports payments to the three military districts will decrease 10% annually until 1988-89 when impact aid payments will likely be based on one-half the national average. Actually, we are receiving one-half of the national average rate of payment this year in the amount of \$1,823.50, not 1988-1989. Texas now ranks above the national average in per pupil expenditures.

Now on p. 15.

Page 22  
PROJECTED REVENUES

Comment: GAO's statement that the Lackland District projects revenues exceeding expenditures each year through 1989-1990 is simply not true. Lackland, in 1987-1988, budgeted expenditures exceeding revenues. This year alone, we are looking at capital outlay expenses totaling \$1.8 million.

Now on p. 18.

Page 26  
PER PUPIL EXPENDITURE

Comment: Lackland, Fort Sam Houston and Randolph Field Independent School Districts provide special education services to their handicapped students. Due to compassionate transfers by the military, the military districts are impacted with handicapped students. Our districts serve approximately 18 percent of their population as handicapped; the norm in the San Antonio area is 12 percent. This high percent of handicapped students adds significantly to the district's expenditures; thereby, increasing the per pupil expenditure for all students when the total budget is divided by the total number of students in the district.

Now on pp. 18-19

Page 27  
PAYROLL COSTS

Comment: GAO reports payroll costs range from 79% to 91%. In 1986-1987, Lackland's actual audited payroll costs were 79% of actual expenditures; likewise, Randolph's percentage was 80.4% and Fort Sam Houston's percentage was 79%. GAO states our payrolls were among the highest; however, we ranked at the lowest of the levels they listed. GAO also suggests that our salary schedules might be too high. I have enclosed a copy of the 1987-1988 Teacher Salary Schedules for the Metropolitan San Antonio Area. As you can see, all the schedules are within a few dollars of each other.

Now on p. 21.

Page 31  
DEPARTMENT OF EDUCATION FUNDING

Comment: Proposed legislation before the Congress would allow coterminous districts to receive impact aid payments based on 70 percent, rather than 50 per cent, of the national average per pupil cost. This is the solution to funding for coterminous districts; however, it's not stated as an alternative.

Appendix III  
Comments From the Lackland, Randolph  
Field, and Fort Sam Houston Independent  
School Districts

Now on p. 22

Pages 31-32

IMPACT AID COTERMINOUS AMENDMENT

Comment: Proposed legislation in S.373, authorizing 70% of the national average to be paid to coterminous districts, is supported by other impact aid recipients because they understand we have no taxing revenues whatsoever. See the letter from Thomas R. Shipley, Executive Director of the National Association of Federally Impacted Schools and a copy of their most recent newsletter dated February 5, 1988.

Now on pp. 22-23.

Page 32

ALTERNATIVES TO EXISTING SCHOOL DISTRICT OPERATIONS

Comment: The three alternatives are not rational. In 1960, the public schools for secondary students became overcrowded so the Military Reservation School District was notified to educate your own students. The off-base districts refused to take the military Reservation School District students, so the high schools were built on base. It is shortsighted to believe that the same circumstance would not happen again.

GAO stated alternatives are totally unacceptable, as follows:

- (1) Consolidation with nearby districts
- (2) Reorganization to discontinue high school operations and provide for educating high school students in local districts, and,
- (3) Tuition and transfer arrangements with nearby districts

Now on p. 25.

Page 36

CONCLUSIONS

Comment: GAO has not distinguished between coterminous districts and other Super "A" districts or other heavily impacted and nearby local school districts. All other referenced districts do have a tax base in addition to Impact Aid payments. Again, I restate that the GAO quick fix is not a viable solution; the coterminous districts' long-term solution lies in the proposed federal statute, and not in the hands of the Department of Education where manipulation takes place under their rule-making authority in the Federal Register.

SUMMARY

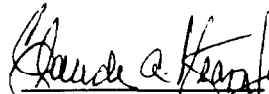
The undersigned Superintendents of the coterminous school districts in Bexar County, Texas have complete confidence in the U. S. Congress and its wisdom to pass into federal law the "Coterminous Agency Rule" under the provisions of the Impact Aid Program.

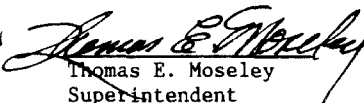
We wish to express our deep appreciation to Senator Lloyd Bentsen for his efforts to seek the truth about the funding of our coterminous districts without a tax base.

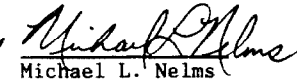
Appendix III  
Comments From the Lackland, Randolph  
Field, and Fort Sam Houston Independent  
School Districts

Finally, we have high expectations that the Congress will act favorably on our coterminous legislation, because it is the right decision to correct an injustice in funding for the Military Reservation School Districts.

Sincerely yours,

  
Claude A. Hearn, Jr.  
Superintendent  
Randolph Field ISD

  
Thomas E. Moseley  
Superintendent  
Fort Sam Houston ISD

  
Michael L. Nelms  
Superintendent  
Lackland ISD

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