

Settle-Up Process

Texas Education Code (TEC) Reference

TEC, [§42.254](#) (requires legislative payment estimates) and [§42.258](#) (requires recovery of overallocated Foundation School Program funds)

Description of Process

"Settle-up" refers to the end-of-fiscal-year process for reconciling a school district's Foundation School Program (FSP) (state aid) payments with the district's actual FSP earnings. The difference between payments and earnings occurs because a school district's initial FSP allocation for each year is based on estimated data and its final allocation for the year is based on actual data.

A school district's initial FSP allocation is based on estimated property value, property tax collections, and attendance data. The TEC, §42.254, requires the Texas Education Agency (TEA) and the Texas Comptroller to submit these estimated data, known as legislative payment estimates (LPEs), to the legislature in the fall before each biennial legislative session so that the legislature can use them for budgetary purposes. A district's scheduled payments for a school year are based on its initial allocation as calculated using LPEs. At certain points throughout the year, the TEA receives revised tax, attendance, and current year property value data. These revised data are known as district planning estimates (DPEs). A school district's final allocation, or "earnings," for the year are calculated using DPEs, once all revised data are available.

In discussing property values and tax collections as they relate to current year FSP allocations and settle-up, it may be helpful to note the following: the property values used in FSP formulas are *prior year* property values; however, the tax collection amounts used in FSP formulas are based on estimates of *current year* property values.

Illustration:

Fiscal Year	2013	2014
School Year	2012–2013	2013–2014
Tax Year Values Based On	2011	2012
Tax Year Collections Based On	2012	2013

Throughout the year as revised data become available, the TEA produces a series of state aid reports, known as *Summary of Finances (SOF)* reports, for each school district. The reports show both LPE and DPE information, as well as initial and revised allocation amounts. Districts can use these reports to determine whether they are being under- or overpaid and can budget accordingly in anticipation of settle-up. Districts can also use tools such as the state aid templates available on the Region 13 Education Service Center's [website](#) for this purpose.

The settle-up process begins after the close of each state fiscal year on August 31 and is actually made up of two steps: near-final settle-up and final settle-up.

The year-end, or "near-final," settle-up occurs when Public Education Information Management System (PEIMS) attendance data become available. At this time, tax collection data that are used to estimate

districts' FSP state aid are updated with revised estimates of tax collections that have been reported by districts through the online FSP System. The updated attendance and tax collection data are used to produce a “near-final” *SOF*, showing the actual amount of state aid each district or school was due.

The postaudit, or “final,” settle-up occurs after the release of data from school district and charter school audits. This settle-up uses the final tax collections each district reported in the J-1 schedule of its annual financial audit report and any other updates or changes to data elements that have occurred since the year-end settle-up.

Following each settle-up process, the TEA pays out additional aid to any districts and charter schools that were underpaid and recovers aid from districts and charter schools that were overpaid, as required by the TEC, §42.258. Districts and charter schools that have been underpaid during a school year receive a lump-sum payment for the funds that are owed them, typically in late September following the close of the fiscal year. Usually, overpayments are recovered from a district's or charter school's scheduled FSP payments over the remainder of the current fiscal year (the fiscal year following the year for which the district or charter school was overpaid). A recent statutory change (see the TEC, §42.258[a-1]) now gives the commissioner authority to allow districts that can prove a hardship up to five years to repay funds.

History/Relevant Background Information

The following table shows, by fiscal year, the amount identified at settle-up as having been overpaid to districts statewide and the amount identified as having been underpaid statewide.

School Year	Amount Overpaid to Districts	Amount Underpaid to Districts
2000	\$404,221,565	\$113,365,330
2001	\$802,780,773	\$111,946,357
2002	\$231,450,237	\$205,422,728
2003	\$301,538,341	\$418,831,795
2004	\$247,762,059	\$416,136,321
2005	\$258,661,588	\$565,906,839
2006	\$261,410,812	\$223,768,558
2007	\$789,327,547	\$242,132,688
2008	\$791,058,084	\$140,624,857
2009	\$1,071,736,623	\$256,205,935
2010	\$558,927,407	\$617,405,755
2011	\$593,234,018	\$1,126,816,765
2012	\$696,289,208	\$237,995,397
2013	\$851,847,997	\$398,262,353

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