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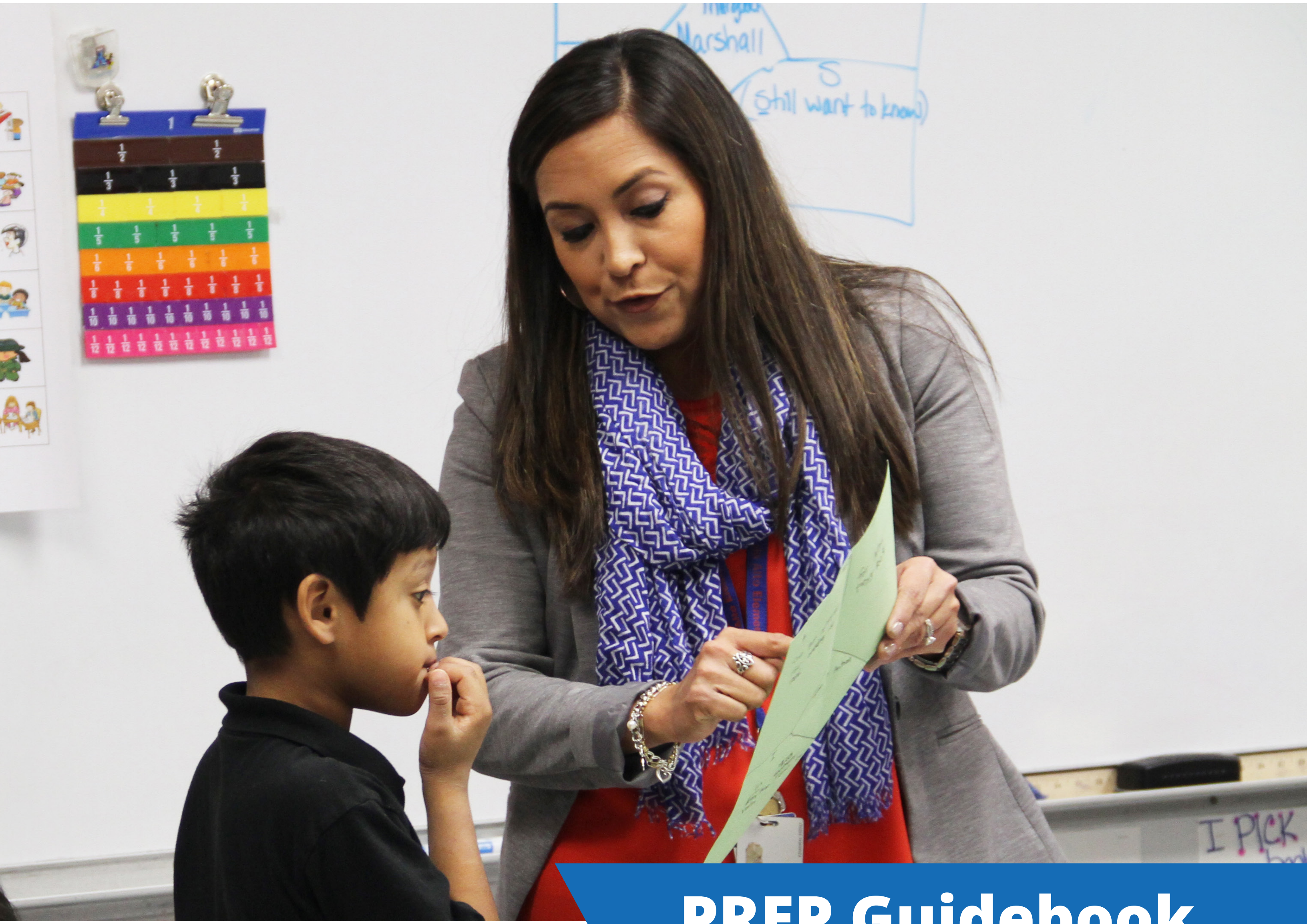

PREP Guidebook Addendum

Last Updated: July 2026

PREP Program Allotment

Guidance for School System Business Offices

Addendum to the PREP Program Allotment Guidebook | July 2026

Overview

PREP Program Allotment funding is provided by the Foundation School Program (FSP), not by a grant. School systems that participate in one or more PREP programs (PREP Grow Your Own, PREP Preservice Residency, or PREP Mentorship) receive allotment funds through the FSP based on participant data entered in the Educator Certification Online System (ECOS). This guidance helps business offices plan for PREP funds and meet annual reporting requirements.

This guidance covers:

- How PREP funds flow through the FSP and when to expect payments;
- How to track PREP expenditures when there is no program intent code (PIC);
- What the annual program submission requires of business offices; and
- Allowable uses by program.

**Policy references: House Bill 2, 89th Texas Legislature (2025); TEC §21.901-909, §48.157; 19 TAC §153.1301-106*

What Is the PREP Program Allotment

School systems generate PREP funds through the FSP based on participant data entered in ECOS each year. Once a school system is approved for a PREP program, it automatically continues to generate an annual allotment without re-applying each year, unless participation has been prohibited through the periodic review process. School systems confirm participation annually through the Verification of Participation (VoP) process.

Program Models

PREP provides funding for three partnership program types available for the 2026-27 school year. Each program is described briefly below; complete requirements are in the PREP Program Allotment Guidebook.

PREP Grow Your Own

The PREP Grow Your Own (GYO) program provides funding for participating school systems to support current employees who do not hold a bachelor's degree or teaching certificate in completing their bachelor's degree and enrolling in an educator preparation program (EPP) while continuing to work in the school system. PREP GYO also supports high school students in completing career and technical education (CTE) courses that prepare them to become classroom teachers. Each participating GYO employee may generate between $8,000 and $12,000 depending on the high-needs and rural factor, with 50% of funds provided up front and 50% success-based upon the employee completing their bachelor's degree and enrolling in an EPP within three years.

PREP Preservice Residency

The PREP Preservice Residency Program funds school systems and their approved educator preparation program (EPP) partners to implement year-long, paid teacher residencies. Residents engage in deep clinical practice under the supervision of a trained host teacher and earn an enhanced standard teaching certificate. Each resident may generate between $24,000 and $39,500 depending on the high-needs and rural factor and the resident's certification area. $12,000 in funding is provided initially to cover resident and host teacher stipend costs and the remaining is success-based upon the candidate attaining the enhanced standard certificate (see **Success-Based Funding** section).

PREP Mentorship

The PREP Mentorship Program provides funding for school systems to implement high-quality beginning teacher mentorship programs. School systems receive $3,000 per beginning teacher mentored, for up to 40 beginning teachers per year. From that funding, the school system provides: a minimum $1,000 annual stipend to each mentor teacher; trains required mentorship staff through the Texas Mentorship Training (TMT); and provides release time for mentoring activities.

**Policy references: TEC §§21.902-21.909; 19 TAC Chapter 153, Subchapter FF*

Relevant Laws and Rules

- House Bill 2, 89th Texas Legislature (2025): established the PREP Program Allotment
- Texas Education Code, Chapter 48, §48.157: PREP Program Allotment (funding formula and caps)
- Texas Education Code, Chapter 21, §§21.902-21.907: program provisions for each PREP program

- 19 TAC Chapter 153, Subchapter FF (Commissioner's Rules): program submissions, spending requirements, periodic reviews, and performance goals
- Financial Accountability System Resource Guide (FASRG): accounting code structure (Appendix A.1) and local option codes (Appendix A.5)

PREP Allotment Calculations

School systems generate initial PREP funds through the FSP based on participant data entered in ECOS each year; success-based funding includes other data sources. School systems confirm participation annually through the Verification of Participation (VoP) process.

Initial Funding

For participants entered into ECOS by August 28, 2026, the school system's initial allotment payments begin flowing in the FSP October 2026 payment window. For participants entered into ECOS between September 1, 2026, and January 31, 2027, payments are included in the September FSP settle-up of the following school year.

Because PREP funds are part of the FSP, the timing of receipts may not align with the timing of expenditures, particularly in the first year. School systems should plan cash flow accordingly. School systems may use cash reserves or fund balance and should list the allotment as due from the state or as a reimbursement so that the funds do not negatively impact the fund balance, consistent with how other anticipated FSP settle-up funds are handled. See **Annual Timelines** for more information.

Success-Based Funding

Success-based funding follows a separate timeline. For PREP Grow Your Own, success-based funding flows in the September settle-up following the year in which the employee both completed the bachelor's degree and enrolled in an accredited EPP within the three-year program window. For PREP Preservice Residency, school system success-based funding flows in the FSP September settle-up following the school year in which the resident attained the enhanced standard certificate. PREP Mentorship does not have success-based funding; all funding flows in October following the July-August data entry and is reconciled in the following September's FSP settle-up. Business offices should plan for the lag between initial funding and success-based funding receipts.

**Policy references: TEC §48.157; 19 TAC §153.1302(a)*

Annual Program Submission

Each year, school systems submit a program submission for each PREP program for which they receive funds. The submission includes implementation data and the distribution of allotment funds from the previous school year. The business office's primary responsibility is the distribution-of-funds component.

Distribution of Allotment Funds

School systems report how PREP funds were distributed during the previous school year, organized by program and by spending category. The spending categories are drawn from the allowable uses defined in program rules (see the tables below). Local option codes are designed to support this reporting by giving the business office a reliable way to aggregate expenditures by program and category at year-end.

The tables below show the specific spending categories that school systems will report against in the annual program submission. Business offices should consider organizing their local option codes to align with these categories so that year-end reporting is a direct rollup from the accounting system.

TEA will ask districts to report spending in each of the applicable categories below from PREP allotment funds and other sources of funds such as resident compensation.

PREP Grow Your Own: Reporting Categories

Category	Notes
High school Education and Training program implementation	.
Tuition for aspiring teachers	.
Wrap-around and transition supports	.
Strategic staffing training and implementation	.
Employee preparation costs in a PREP Preservice program	Costs of GYO employee preparation in a Residency or other PREP Preservice program
Program coordinator / implementation staff salaries	Local salaries for program implementation support
Other allowable GYO program expenditures	Must be consistent with TAC §153.1304(f)

PREP Preservice Residency: Reporting Categories

Category	Notes
Resident compensation (minimum $10,000 from allotment per resident)	Mandated minimum; see Usage of Funds
Host teacher stipends ($2,000 minimum per resident)	Mandated minimum; see Usage of Funds
Texas Mentorship Training (TMT) costs	.
EPP partner supports	.
Strategic staffing training and implementation	.
Program coordinator / implementation staff salaries	.
Other allowable Residency program expenditures	Must be consistent with TAC §153.1303(g)

PREP Mentorship: Reporting Categories

Category	Notes
Mentor teacher stipends ($1,000 minimum per beginning teacher)	Mandated minimum; see Usage of Funds
Release time for mentoring activities	.
Mentor training costs for TMT	.
Strategic staffing training	.
Compensation for staff overseeing mentorship training requirements	.
Other allowable Mentorship program expenditures	Must be consistent with TAC §153.1305(d)

School systems report total dollar amounts in each category for the reporting year. A subtotal is calculated for each program, and the sum of all program subtotals equals total PREP allotment expenditures for the year.

**Policy references: 19 TAC §153.1302(c)(1)(A); TAC §153.1303(g); TAC §153.1304(f); TAC §153.1305(d)*

Certification of the Submission

The submission must be certified by the superintendent or chief financial officer. The certification attests that the information is accurate and complies with applicable state and federal laws, including TEC Chapter 39, Subchapter D. The certification includes the certifying individual's name and title, the date, and a statement of understanding that false certification may result in criminal penalties and possible referral to the State Board for Educator Certification (SBEC) for educator certificate sanctions.

Submission Format and Timing

- Directions for completing the annual program submission will be available on the TEA PREP Allotment web page annually in June, beginning in 2027.
- The submission is due by 11:59 p.m. on the last Friday of September following the implementation year.
- The submission format is prescribed by TEA. Document uploads are not required at the time of submission; school systems maintain appropriate documentation locally.

**Policy references: 19 TAC §153.1302(c)(1)(A)-(C)*

Usage of Funds

PREP funds must be used to implement the program that generated them. The table below provides a high-level summary of allowable uses by program. Complete spending requirements, including minimum compensation and stipend thresholds, are described in the PREP Guidebook and in the cited rules. Business offices should code expenditures to the program that generated the funds.

Mandated Spending Requirements

The following spending requirements are established in statute and Commissioner's rules. These are not discretionary.

Program	Mandated Use	Policy
PREP Grow Your Own	Allowable uses are program implementation and participant tuition and fees.	TAC §153.1304(f); TEC §21.906
PREP Preservice Residency	Residents must receive a minimum of $20,000 in pay, with at least $10,000 from the allotment. Host teachers must receive a minimum $2,000 stipend per resident. EPP spending requirements apply separately under TEC §48.157(h)-(i).	TAC §153.1303(g); TEC §21.904(c)-(d)
PREP Mentorship	Annual mentor stipends: at least $1,000 per beginning teacher for part-time mentors; at least $1,000 for full-time mentors or those serving as neither teacher of record nor full-time mentor.	TAC §153.1305(d); TEC §21.907

Discretionary Spending

After mandated spending requirements are met, remaining funds may be used for the following purposes within each program.

Program	Mandated Use	Policy
PREP Grow Your Own	High school Education and Training program implementation; tuition for aspiring teachers; wrap-around and transition supports; strategic staffing training; costs of employee preparation in a PREP Preservice program; local salaries for program implementation support; and other associated program costs.	TAC §153.1304(f); TEC §48.157
PREP Preservice Residency	Remaining funds can be used to support the Residency program: Texas Mentorship Training (TMT) costs, EPP partner supports, program implementation, host teacher stipend expansion, and strategic staffing training.	TAC §153.1303(g); TEC §48.157
PREP Mentorship	Remaining funds: release time for mentoring, mentor training, strategic staffing training, and compensation for staff overseeing mentorship training requirements.	TAC §153.1305(d); TEC §48.157

Funding Sources and the Salary Match

Some PREP commitments require a school system contribution beyond the allotment. For PREP Preservice Residency, residency candidates must receive a minimum of $20,000 in pay, with at least $10,000 from the allotment and the balance provided by the school system.

After an initial year of participation, school systems may be able to use PREP success-based funding from previous cohorts to meet the required match. In addition to funding from the allotment, school systems may also reallocate or reinvest from local funding streams such as professional development or teacher induction budgets.

Using Federal Funds

- Federal funds **cannot** be used to meet a requirement that would otherwise be funded with state or local money or to meet policy requirements for PREP.
- Unless otherwise stated in authorizing statute, federal funds may **not** be used to meet a cost share/matching requirement; only local or state funding sources may be used (2 CFR 200.306(b)(5).

Financial Reporting

Coding of Payments

There is no program intent code (PIC) for the PREP Program Allotment. School systems track PREP expenditures using local option codes, which are positioned in the standard account code structure that may be used for any locally defined purpose. This approach is consistent with how the Teacher Incentive Allotment (TIA) is tracked.

Using Local Option Codes for PREP

As a transaction in the school system's accounting system, the account code structure for PREP must carry the mandatory state-reporting elements: a fund code, a function code, object code, organization code, fiscal year code, and program intent code. These Local option codes are additional positions in the code structure that are not reported through PEIMS. For PREP, this means that school systems define what each local option code means and use them to isolate PREP activity for internal tracking and reporting to TEA through the annual program submission.

More information about local option codes are described in the Financial Accountability System Resource Guide (FASRG), Appendix A.5.

How to Set Up Local Option Codes for PREP

School systems must establish local option codes to accurately monitor and report on the distribution of allotment funds. TEA recommends establishing these codes before the implementation year begins so that expenditure tracking is in place from the start of the program. The first annual reporting cycle does not close until September 2027, but local option codes must be active from the beginning of the implementation year to capture a full year of data.

When establishing local option codes for PREP, school systems should:

1. Keep a chart of locally assigned accounts
2. Use the locally assigned accounts uniformly throughout the fiscal year, without changing them mid-year
3. Make the chart of accounts available for managerial, auditing, and other purposes
4. Retain the chart of accounts for audit purposes for a recommended period of at least five years after any changes are made

School systems should organize their local option codes so they can distinguish between PREP programs (for example, Residency versus Mentorship) and between spending categories within each program (for example, resident compensation versus host teacher stipends). This will make year-end reporting straightforward. The reporting categories in the Annual Program Submission section above show the specific categories that local option codes should be designed to capture.

**Policy references: 19 TAC §153.1302(c)(1)(A); FASRG, Financial Accounting and Reporting, Appendix A.5*

State Data Reporting Considerations

PREP allotment calculations rely on data from two state systems.

- **ECOS (Educator Certification Online System):** TEA's system of record for educator certification and for the participant data that drives PREP allotment calculations. Program managers enter participant data into ECOS during July and August of each year. ECOS data determines which participants generate allotment funding and at what level.
- **PEIMS (Public Education Information Management System):** captures broader school system staffing and participation data. This includes the recently created PEIMS code for residents. TEA uses PEIMS data alongside ECOS to verify placements and ensure data consistency. PEIMS submissions follow the standard PEIMS schedule.

Business offices do not enter data into ECOS or PEIMS for PREP purposes directly. However, ensuring that the school system's PEIMS submissions accurately reflect staffing (including resident placements, host teacher assignments, and mentor teacher assignments) supports TEA's ability to verify PREP participation and resolve data discrepancies.

Annual Timelines

TEA communicates specific dates annually; the pattern below reflects the standard cycle.

Timing	Activity	Business Office Action
Fall	School systems apply for PREP programs	Sign up for your PREP allotment through the LASO application in October 2026
By May 1	TEA publishes PREP program participation withdrawal process and timeline	Review; coordinate with program manager if withdrawal is under consideration
May (VoP window)	PREP Verification of Participation form	Confirm program manager has submitted and superintendent has signed; verify partnership agreements are current
June (beginning 2027)	TEA publishes annual program submission directions	Review directions and distribution-of-funds requirements

Timing	Activity	Business Office Action
July-August	ECOS data entry for current-year participants	Coordinate with program manager; no direct business office action, but ECOS data drives the allotment calculation
August 1	TEA communicates survey respondent categories	No direct action; awareness for planning
August 28	ECOS entry deadline for October FSP payments	Plan cash flow: initial payments begin in October for participants entered by this date
October	FSP initial payments begin flowing	Record allotment receipts; reconcile against ECOS participant counts
September 1-January 31	Late ECOS entries (spring-start, mid-year hires)	Plan for these participants' funding to flow in the following September settle-up, not October
February 1	ECOS final roster lock	No further participant changes for current-year allotment calculation
April-May	Annual participant survey	No direct action; program manager administers
Last Friday of September	Annual program submission due (distribution of funds, implementation data, attestation)	Aggregate expenditure data using local option codes; superintendent or CFO certifies and submits
September (following fiscal year close)	FSP settle-up	Reconcile: TEA adjusts for differences between initial and final allotment amounts, including success-based funding and recovery of no-show participants

Withdrawal, Recovery, and Mid-Year Changes

Business offices should understand the funding implications of program withdrawals and participant changes, as these directly affect cash flow and year-end reconciliation.

Program Withdrawal

If a school system withdraws from a PREP program at any point during the school year, 100% of the allotment funding is recovered at settle-up. School systems that wish to withdraw must do so through the annual Verification of Participation (VoP) process. TEA publishes the withdrawal process and timeline annually by May 1. A school system that determines it cannot meet program requirements mid-year should notify TEA.

Individual Participant Changes

- If an individual participant drops out after starting (for example, a resident who begins coursework and then withdraws, or a beginning teacher who resigns mid-year), the school system retains 100% of the initial funding for that individual.

- If a participant is enrolled but does not actually attend or start, 100% of the funding for that individual is recovered at settle-up.

Business offices should work with program managers to ensure ECOS records are updated promptly when participants leave, so that the settle-up calculation reflects accurate participation data.

Mid-Year Staffing Changes

If a mentor teacher, cooperating teacher, or host teacher is changed mid-year due to extenuating circumstances, the allocation of stipend payments between the original and replacement educator is a local school system decision. Proration is an available approach. This rule applies consistently across PREP Mentorship and PREP Preservice Residency.

**Policy references: TAC §153.1302(e)(2); PREP Guidebook, Part VI: Withdrawal and Recovery; PREP Guidebook, Part VI: Teacher Movement and Mid-Year Changes*

Frequently Asked Questions

Are there spending codes for PREP funds? There is no PIC for PREP funds. School systems use local option codes, appended to the mandatory fund, function, and object codes, to track and report on the distribution of PREP funds.

When should we set up local option codes? Before the implementation year begins. The first annual reporting cycle does not close until September 2027, but local option codes must be active from the start of the program year to capture a full year of expenditure data.

Can a school system change its local option codes during the year? No. The FASRG requires that locally assigned accounts be used uniformly throughout the fiscal year and not changed mid-year. The chart of accounts should be retained for at least five years after any change for audit purposes.

How should we record the allotment before FSP funds are received? School systems should list the allotment as due from the state or as a reimbursement. This prevents the funds from negatively impacting the fund balance and allows the school system to include the funds in its year-end financial statement, consistent with how other anticipated FSP settle-up funds are handled.

Who certifies the annual program submission? The superintendent or chief financial officer. The certification includes the individual's name and title, the date, and a statement that false certification may result in criminal penalties and possible referral to SBEC for educator certificate sanctions.

When is the first submission due? The first annual program submission, covering the 2026-2027 implementation year, is due by 11:59 p.m. on the last Friday of September 2027. Directions will be available on the TEA PREP Allotment web page by the first Friday of June 2027.

Questions and Resources

For questions about the PREP Program Allotment, contact the PREP team through the information on the TEA PREP Allotment web page. For the complete program rules, spending requirements, and performance goals, see the **PREP Program Allotment Guidebook**, available on the **TEA PREP Allotment web page**.