

## Office of School Finance

# Settle-Up Process



## Legal References

Texas Education Code, §48.269 (requires legislative payment estimates) and §48.272 (requires recovery of overallocated Foundation School Program (FSP) funds)



## Program Description

“Settle-up” refers to the end-of-fiscal-year process for reconciling a school district’s 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, §48.269, 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 Texas Education Agency (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.

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 our website under the District & Charter Planning Tools heading 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 and final property values 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, property value, 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 post-audit, 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, §48.272. 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). If the overpayment cannot be recovered from a district’s or charter school’s scheduled FSP payments over the remainder of the current fiscal year, the TEA will request and obtain a refund.

| 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                 |
| 2014        | \$391,888,221                | \$307,693,127                 |
| 2015        | \$473,428,522                | \$489,029,583                 |
| 2016        | \$315,386,672                | \$474,697,344                 |
| 2017        | \$678,558,111                | \$429,958,328                 |
| 2018        | \$454,342,760                | \$235,622,501                 |
| 2019        | \$508,169,689                | \$442,546,191                 |
| 2020        | \$1,017,818,296              | \$228,569,559                 |

 **Contact for More Information**

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