Texas School Alliance

School Finance Update 7/20/22

Revenue Available for General Purpose Spending in the 2022-23 Biennium

		CERTIFICATION REVENUE ESTIMATE November 2021	CERTIFICATION REVENUE ESTIMATE July 2022	In Billions
General Revenue-Related (GR-R) Tax Collections	+	$117.20	$134.89	
Other GR-R Revenues	+	$16.17	$17.99	
Total GR-R Revenues	=	$133.37	$152.88	SUBTOTAL
Beginning Balance (Funds carried forward from previous biennium)	+	$10.96	$10.96	
Total GR-R Revenue & Fund Balances	=	$144.33	$163.84	SUBTOTAL
Revenue Reserved for Transfers to the Economic Stabilization and State Highway Funds	–	$9.01	$14.77	
Total Revenue Available for General-Purpose Spending	=	$135.32	$149.07	TOTAL

Note: Totals may not sum due to rounding.

Revised Revenue Estimate Highlights

- $26.9 billion GR-R Balance at End of Fiscal 2023
  - Revenue available for general purpose spending up 26.8% compared to prior biennium
  - Includes FSP Cost reduction of $1.97 billion (likely does not include additional FY 23 surplus to come)
  - ESF expected to be $13.66 billion by end of FY 2023

- This is only current biennium projected balance

Lt. Governor Response

- Additional $4 billion in property tax relief next year
- Increase homestead exemption to $60,000
- Suspend the gas tax for the rest of FY 2022
- Allocate funding to *continue to pay for teachers' raises*
- 13th check for retired teachers

Cuts Amid Surpluses

- School Safety Allotment: Currently funded at $9.72
- Fast Growth Allotment
  - 2022 Proration = $105.4 million
  - 2023 Proration = $64.5 million
- NIFA
  - 2022 proration = $12 million
  - 2023 proration = ?
- Tier 2
  - Tier 2 golden penny yield not keeping pace with statute
    - Roughly $100 million per year

Texas Association of School Business Officials
THE trusted resource for school finance and operations
TASBO

July 14, 2022

Dear Chair Huffman and Honorable Members of the Texas Senate Finance Committee:

Thank you for the work your committee is doing on the state budget, specifically as it relates to studying the needs of public education and the use of federal COVID related funds provided through ESSER.

Texas Association of School Business Officials (TASBO) wanted to provide you with some information about the process of using and drawing down federal grant funds that might help provide some context for the numbers the Texas Education Agency provided related to the amount of ESSER funds that have been spent by our local education agencies (LEAs) and what remains unspent.

Unlike state dollars provided through the Foundation School Program, federal dollars must be fully spent before a reimbursement can be drawn down. In fact, drawing down the reimbursement is the very last step in a lengthy process and occurs long after the dollars have been encumbered or obligated (see federal grants cycle attached). Including the carry-over period, LEAs have until September 1, 2024[1] to spend ESSER III. So, for example, if a district used ESSER III to hire tutors beginning in the 2021-2022 school year and planned to employ that staff through the 2023-2024 school year, the district would likely have only drawn down 10 months of the related salary cost so far, though they would have obligated 36 months of cost. Consequently, we would expect more than 70% of the dollars allocated to remain unspent, though the staff has been hired, and the remaining funds are not available for other purposes. We think such a multi-year approach to the considerable academic, social and emotional challenges COVID has created for our students makes sense.

Any delays in expending the funds due to supply chain issues or changes in the planned use of funds due to changing needs would further delay the district submitting a reimbursement request.

We hope this helps provide you with some additional context and would be glad to provide additional examples or information as is helpful.

[1] ESSER Side by Side (texas.gov)

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Federal Grant Cycle

1. TEA releases a grant application and explains the allowable uses. LEAs train on the program, plan for effective use of funds, gather community input, and submit an application to TEA outlining the proposed use of funds. TEA reviews the application and issues a Notice of Grant Award (NOGA).

2. LEAs adjust their general ledger to reflect the increased revenue and planned expenditures for budget control purposes.

3. LEAs engage in the procurement process, for example, by posting needed positions and issuing requests for proposals.

4. LEAs begin making purchases and paying staff as necessary to meet the purpose of the grant.

5. LEAs account for expenditures on the general ledger and prepare for coming audits.

6. LEAs report expenditures to TEA and request reimbursement.