

DATE:	March 24, 2022
SUBJECT:	HB 1525 Implementation: Maintenance of Effort and Equity for Federal Money Related to COVID-19 Pandemic
CATEGORY:	Funding Implications, Reporting Requirements
NEXT STEPS:	Share with business and finance staff

House Bill (HB) 1525, passed by the 87th Texas Legislature and signed into law by Governor Abbott on June 16, 2021, provides additional Foundation School Program (FSP) funding to local educational agencies (LEAs) to ensure compliance with federal requirements regarding maintenance of effort and state-level maintenance of equity (MOEquity).

Background

HB 1525 added Texas Education Code (TEC), Section 48.281, authorizing the commissioner to increase a school district's or open-enrollment charter school's entitlement under TEC, Chapter 48, as necessary to ensure compliance with requirements regarding MOEquity under Section 317, Coronavirus Response and Relief Supplemental Appropriations Act, 2021 (Div. M, Pub. L. No. 116-260, reprinted in note, 20 U.S.C. Section 3401), and Section 2004, American Rescue Plan Act of 2021 (Pub. L. No. 117-2, reprinted in note, 20 U.S.C. Section 3401).

Senate Bill 1, General Appropriations Act, Article IX, Section 18.15, provided an estimated amount up to \$396 million (~\$198 in each year of the biennium) for MOEquity funding under Strategy A.1.1., FSP – Equalized Operations, to be distributed in accordance with the schedule of monthly FSP payments under TEC, Section 48.273.

Methodology

For state-level MOEquity compliance, TEA is required to determine the number of “high-need” and “highest-poverty” LEAs as follows:

- High-Need LEAs: Rank LEAs by low-income percentage and include those LEAs that serve not less than the first 50 percent of the State’s total student enrollment.
- Highest-Poverty LEAs: Rank LEAs by low-income percentage and include those LEAs that serve not less than the first 20 percent of the State’s total student enrollment.

Federal statute and regulations require TEA to ensure that for fiscal year (FY) 2022 (school year 2021–2022) and FY 2023 (school year 2022–2023) that “high-need LEAs” do not receive a year-over-year per-pupil reduction in State funding that is greater than the average per-pupil reduction, if applicable, across all LEAs in the State for either fiscal year, and for FY 2022 and FY 2023 that “highest-poverty LEAs” do not receive per-pupil funding lower than the per-pupil amount received they received in FY 2019 (school year 2018–2019).

Please note that as the amount of statewide average daily attendance (ADA) fluctuates, an LEA's designation as "high needs" or "high poverty" could change from the preliminary designation as of March 2022.

See the link below for USDE's FAQ regarding MoEquity:

[Maintenance of Equity updated FAQs \(12/29/2021\)](#)

Estimated Allocations, Timeline, and Reporting

For school year 2021–2022, MOEquity funding is now part of Other Programs on line 45 of the Summary of Finances (SOF) reports. The estimated statewide MOEquity funding for school year 2021–2022 is currently \$111 million for 153 LEAs. LEAs can see their amounts on line 16 of the Other Programs Detail Report, and a detail report is also accessible from this line showing the calculations.

MOEquity funding will begin flowing to districts with the March 2022 schedule of monthly FSP payments. **These amounts are subject to fluctuations during the fiscal year, all the way through "near-final" and "final" settle-ups as actual attendance and tax collections are incorporated into the SOF reports.** It is possible that MOEquity amounts for an individual LEA are reduced to zero and vice versa as the agency continues to update data relevant to the calculations, so it is important for LEAs to monitor the SOF reports closely each month, and through settle-up. Please remember that MoEquity amounts only serve to ensure a certain level of per-pupil funding for eligible LEAs. Any reduction in MoEquity amounts previously calculated does not indicate a loss of overall revenue, but rather that the LEA's Foundation School Program revenue has increased such that MoEquity amount is not necessary to maintain that certain level of per-pupil funding.

Similarly, for school year 2022–2023, preliminary MOEquity amounts will be available beginning with the September 2022 regular FSP payment. Again, these amounts are subject to fluctuations all the way through "near-final" and "final" settle-ups.

LEAs should record payments in the General Fund, under Object Code 5812, Foundation School Program Entitlements. This funding does not need to be tracked separately.

Questions

If you have questions related to the state-level MOEquity funding provisions in HB 1525, please contact the Division of State Funding by phone at (512) 463-9238 or by email at sfinance@tea.texas.gov.

Sincerely,

Leo Lopez, RTSBA
Associate Commissioner for School Finance