



TIA Spending Guidance for District Business Offices

PURPOSE

Districts' Business Offices often have questions around the mechanics of spending the Teacher Incentive Allotment (TIA) alongside their larger budget and payroll policies. The TIA Team has developed guidance to help districts with local designation systems in planning for TIA funds and expenditures, including:

- Spending timelines for the first and subsequent years;
- Issuing payouts;
- TRS contributions and tax implications; and
- Best practices for communicating with teachers.

For districts without local designation systems that employ or hire a designated teacher, see [TIA's Spending Guidance for Hiring and Employing Designated Teachers](#).

TIA AND THE FOUNDATION SCHOOL PROGRAM

TIA is one part of the Foundation School Program (FSP). TIA is a Tier 1 allotment and impacts the FSP like other Tier 1 allotments known as entitlements. Other Tier 1 allotments include compensatory education, bilingual education, and transportation. The Teacher Incentive Allotment is reflected in a district's Summary of Finances report in line item #30-33, depending on the year. For more information about the TEA Summary of Finances report, please visit: [Summary of Finances | Texas Education Agency](#).

Note: When reporting TIA funds to meet federal compliance requirements for Every Student Succeeds Act (ESSA) funding, which includes the [Title I, Part A Comparability requirement](#), LEAs that receive TIA funds must include these funds and positions paid with these funds when they submit their Comparability Computation Form (CCF) to establish compliance.

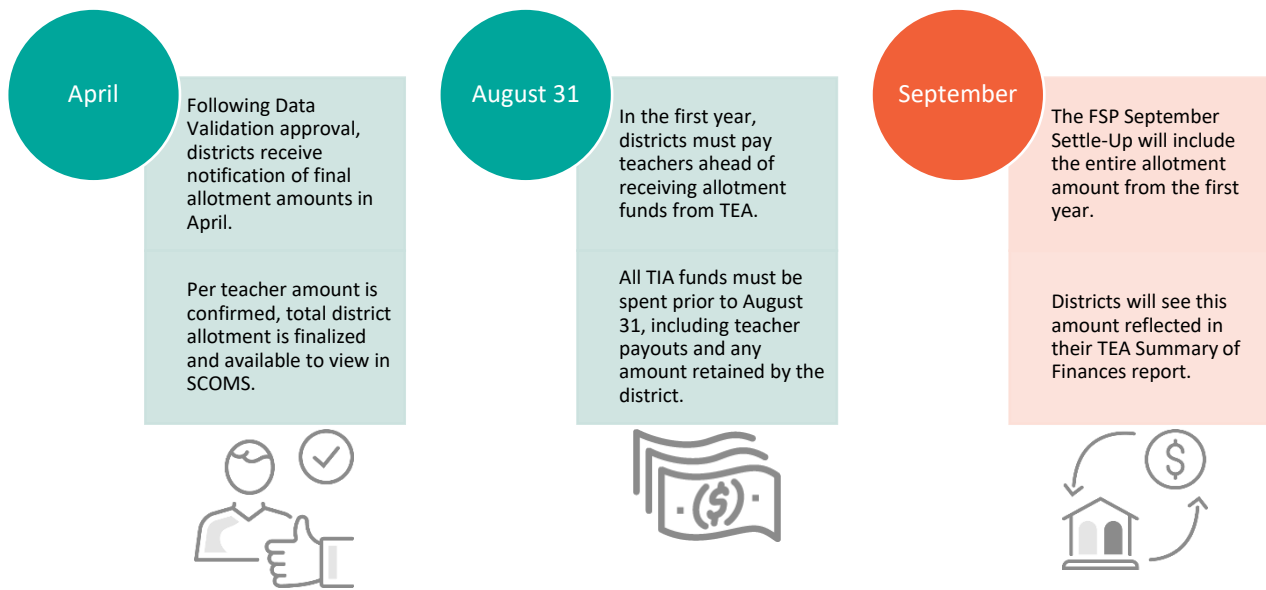
First Year Allotment Considerations

The first year that districts receive allotment funds varies from subsequent years. This is due to the allotment arriving as one funding stream during the FSP Settle-Up process in September in the first year. Because districts must issue pay outs to teachers by August 31, they must pre-pay the allotment funds. See Timeline graphic below. Some considerations for making these payouts:

- The funds earned as part of the TIA entitlement are guaranteed. TEA cannot change or lower the entitlement. The allotment amount is finalized in April so that districts can plan with certainty for the final amount they will receive in September.

- Districts could use cash reserves or fund balance for the TIA fees and for the first year’s expenditure prior to the September Settle-Up.
- Districts should list the allotment as “due from the state” or as a “reimbursement”. This will prevent the funds from negatively impacting the fund balance and allow districts to include the funds in their year-end financial statement – just as the district would handle all other anticipated FSP settle-up funds.
- There are no Program Intent Codes (PIC) associated with TIA.

First Year TIA Spending Timeline



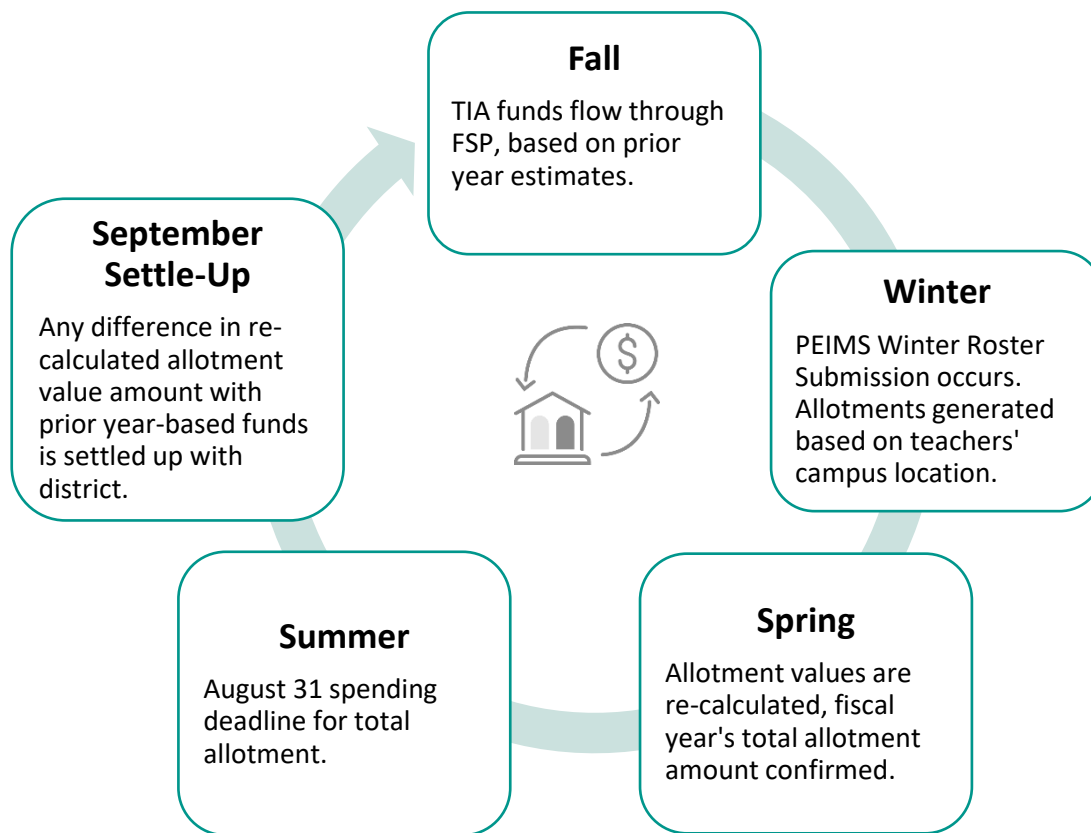
Subsequent Years

In subsequent years, TIA projected funds will flow through FSP. A district’s initial FSP allocation is based on estimated allotment data from the previous year. The Texas Education Code §48.269 requires 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, TEA receives revised 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. The settle-up process begins after the close of each state fiscal year on August 31. The LPE and schedule of payments is defined by the legislature.

- Allotment values are calculated each year, and are based on socioeconomic need, campus rurality, and designation level. For more information around how allotment values are calculated, please visit: [Allotments \(tiatexas.org\)](http://Allotments.tiatexas.org).

- Allotment values are relatively stable year-to-year. In 2022-23, approximately 90% of allotment values remained within a 5% margin of change over the prior year value or increased more than 5%. About 9% of campuses experienced a decrease in allotment value that was more than 5%. Those campuses that experienced the largest decreases also experienced the largest decrease in rurality (which increases the allotment value).
- Teacher payouts may change based on their campus location and generated allotment value, even with the same designation.
- Any difference in estimated allotment values and actual allotment values will be paid down during the September Settle-Up. The allotment anticipated from designated teachers who then left the district prior to Winter Class Roster will be removed from the final allotment amount. In addition, any new or higher designations will be allotted in full during the Settle-Up. See graphic below for the timeline of the fiscal year and TIA.

TIA Spending Timeline in Subsequent Years



ISSUING PAYOUTS

Districts receive funds annually for designated teachers they employ that meet the following criteria: active designation, has completed or will complete a creditable year of service (full-time for one semester [90 days] or at least half-time for the year), coded as an 087 in Class Roster Winter Submission. Districts are required to expend all funds annually by August 31 each year (TEA's fiscal year end), regardless of when the district's fiscal year ends.

Districts must spend at least 90% on teacher compensation on the campus where the designated teacher works and can spend up to 10% on costs associated with supporting a local designation system, including efforts to support teachers in earning a designation. The 90% may include compensation to other student-facing, instructional staff including aides and paraprofessionals.

TRS Considerations

- All TIA compensation is TRS eligible.
- The TRS has limits (10% or 10,000 increase per year) on eligible salary increases in the last 3 or 5 years prior to retirement. This could limit the extent to which the TIA compensation paid in those years is TRS eligible. A member can “work out of the limit” – the member will need to contact a TRS Benefit Counselor when they are ready to retire to determine if this limit will impact their retirement annuity calculation.
- Districts should be prepared to assist teachers with a TRS creditable compensation determination.
- Districts may pay employee and employer contributions from the 90% portion of the allotment or the 10%, as those benefit payments are considered to be included in overall compensation.
- TIA compensation is subject to the **Statutory Minimum Contribution**, or State Contribution, in addition to other [TRS contributions](#). The reporting employer payment of the state contribution is due on salary paid above the state minimum salary. See the [TRS Payroll Manual](#) for more information.

Taxes and District Payments

- Districts can tax payouts by either aggregating the compensation as **regular pay** which means the amount will be taxed by the applicable tax bracket or as **supplemental pay**, which will be taxed at a flat rate like other stipend payments.
- District costs that are a result of increasing TRS-eligible compensation may come out of the 90% portion of the allotment or the 10%, as they are considered a form of compensation.
- District payments can include [TRS contributions](#), Medicare taxes, state and federal unemployment, worker's compensation, and social security (if applicable).

KEY POINTS FOR COMMUNICATING PAYOUTS WITH TEACHERS

Districts should ensure that certain aspects of TIA payouts are clearly communicated with teachers at various points along the district's TIA timeline:

When being submitted for designation.

- A teacher must remain in an 087 role during the following school year after being proposed for designation by the district, while data validation occurs. In other words, after Data Capture Year, the following year is the Designation Year and a teacher must remain employed by the district to earn the designation.
- If the district does not receive full approval after data validation, then no funding is made available, and no teacher payouts can occur. The district may capture data again and resubmit the following year.
- There is no back-pay for the Data Capture Year; once the district is approved to issue payouts, those payouts are for the current year only. Designations are then valid for five years.

When approved to issue designations.

- Teachers receive email communication from TEA in May outlining their designation status and also their total allotment amount generated.
- The final check the teacher receives will vary from the allotment they generated because payouts are subject to the 10% district-retained portion, if applicable, payroll taxes, and other TRS contributions.
- Best practice is to communicate the taxes and fees to be withheld prior to the teacher's payment being made.

On a rolling basis: considerations for communication.

- If the district has included retention contingencies into their TIA spend plan, i.e., requiring a teacher to remain within the district to receive the funds, teachers need to be made aware of this rule in advance.
- Districts should clearly communicate any spend plan changes ahead of payouts.
- As district goals shift and TIA systems expand, certain aspects of the spend plan are subject to change. As these changes affect the teacher's payout amount, they should be communicated clearly and in advance.

FAQS

Are there spending codes for TIA funds? There are no PIC codes for TIA funds. Funding and reimbursement of fees will each be a separate line item in the FSP Summary of Finances reports.

When should districts report the TIA revenue? Districts should follow their customary accounting practices to record the revenue for the school year it was earned (i.e., April) and not when the cash is expected to be received in settle-up. It is recommended that the funds are spent in accordance with the district's fiscal year.

What board policies need to be updated to reflect TIA payout? If using TASB's model policies, current policy should cover everything related to TIA compensation because standard policy language points to the compensation plan, which should cover payment guidelines.

How should districts mark TIA payments in the budget in the first year before funds are received through FSP? TIA fees can be coded as state fees or aligned with other similar payments that the district makes. There are no required PIC codes. Since the payout to teachers will be paid by the district prior to receiving the allotment funds from the state, it can be coded as receivable from the state or the like, depending on the district's accounting department's preferred language.

How should districts tax the TIA compensation? Districts can consider tax implications by either aggregating the compensation as regular pay which means the amount will be taxed by the applicable tax bracket or as supplemental pay, which will be taxed at a flat rate.

Can taxes and other district payments be paid from the allotment? From the 90% or the 10%? Both the 10% and 90% can include district contributions that are a result of increasing TRS-eligible compensation. District payments can include [TRS contributions](#), Medicare taxes, state and federal unemployment, worker's compensation, and social security (if applicable).

Benefits or fringe costs associated with TIA payments can be considered compensation. For example, a district can still choose to have 100% go to the teacher and use a portion to cover additional retirement costs. Specifically, when issuing TIA payouts, the district can withhold the employee contribution and employer contribution portion to cover TRS payments and then pay the teacher the remaining amount. The withholding would work the same as other bonus payments and/or stipends and the payroll department would be able to handle that at the time of teacher payouts.

Is TIA compensation TRS eligible? How does it affect retirement? TIA compensation is TRS eligible. TRS has limits (10% or 10,000 increase per year) on eligible salary increases in the last 3 or 5 years prior to retirement which could limit the extent to which the TIA compensation paid in those years is TRS eligible. A member can "work out of the limit" – the member will need to contact a TRS Benefit Counselor when they are ready to retire to determine if this limit will impact their retirement annuity calculation.

Is TIA subject to the Statutory Minimum Tax? TIA compensation is subject to the Statutory Minimum Contribution, or State Contribution, in addition to other [TRS contributions](#). The reporting employer payment of the state contribution is due on salary paid above the state minimum salary. See the [TRS Payroll Manual](#) for more information.

