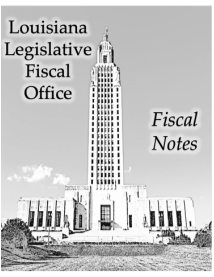


**LEGISLATIVE FISCAL OFFICE**  
**Fiscal Note**



Fiscal Note On: **HB 5** HLS 243ES 7  
 Bill Text Version: **REENGROSSED**  
 Opp. Chamb. Action: **W/ SEN FLOOR AMD**  
 Proposed Amd.:  
 Sub. Bill For.:

<b>Date:</b> November 22, 2024 12:48 PM	<b>Author:</b> BACALA
<b>Dept./Agy.:</b> Education	
<b>Subject:</b> Salary increases for teachers and other school employees	<b>Analyst:</b> Julie Silva

TEACHERS/SALARY REF GF EX See Note Page 1 of 2  
 Requires school systems to provide a salary increase for teachers and other school employees using savings attributable to the state's payment of certain unfunded accrued liability of the Teachers' Retirement System of Louisiana (Item #2)  
 Proposed legislation codifies provisions in proposed constitutional amendment (currently under consideration by the legislature as HB 7) and directs public school systems to provide permanent pay increases, and related benefits, for certificated and noncertificated employees using any savings realized as a result of the transfer of certain fund balances to the Teacher's Retirement System of Louisiana (TRSL) for payment of the system's total unfunded accrued liability (IUAL/UAL).

EXPENDITURES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>INCREASE</b>	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

REVENUES	2024-25	2025-26	2026-27	2027-28	2028-29	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>SEE BELOW</b>	<b>\$0</b>
<b>Annual Total</b>	<b>\$0</b>					<b>\$0</b>

**EXPENDITURE EXPLANATION**

The proposed law is anticipated to impact SGF and local fund expenditures, though impacts to local funds will vary by school system. The proposed statutory changes in this instrument codify provisions in the companion proposed constitutional amendment directing public school systems to use any savings realized as a result of payments made toward TRSL's UAL to provide salary increases for certificated and noncertificated school personnel, beginning in the 2025-2026 school year. As provided in proposed legislation, "public school systems" means any city, parish, or other local public school board, charter school, or other elementary or secondary school governing authority that participates in TRSL. **Eligibility for the increase will be limited to certificated and noncertificated personnel in positions included in staffing data submitted to the Louisiana Department of Education (LDOE) personnel data reporting system by October 1st. Proposed legislation includes the function and object codes for such positions.**

The proposed constitutional amendment eliminates the Louisiana Quality Education Trust Fund (Permanent Fund), the Louisiana Education Quality Support Fund (Support Fund), and the Education Excellence Fund (EEF) and directs the Treasury to transfer the remaining balances in these funds to TRSL for payment of the system's unfunded accrued liability (UAL). The FY 25 beginning balances of the Permanent Fund (\$1.45 B), the Support Fund (\$36 M), and the EEF (\$482 M) will result in a pay down of an estimated \$1.96 B of the total UAL. Local education agencies are expected to see a decrease in local fund expenditures resulting from the transfer of these fund balances to TRSL.

The current UAL balance is \$8.1 B, with an expected FY 25 employer contribution payment of \$1.1 B. Transfer of the fund balances will decrease the UAL balance to \$6.1 B (\$8.1 B - \$1.96 B), lowering the FY 25 expected employer contribution payment to \$817 M, a total decrease of \$1.96 B in the UAL balance and a \$283 M (\$1.1 B - \$817 M) reduction in employer contribution payments. Approximately 73% of TRSL's membership is in the K-12 plan. The impact of the \$283 M reduction is assumed to be distributed proportionately; therefore, the employer contribution for the K-12 plan is projected to decrease by \$207 M (\$283 M x 73%), assumed to be a combination of Local Funds and distributions from the MFP.

**Continued on Page 2**

**REVENUE EXPLANATION**

Proposed legislation, in conjunction with proposed constitutional amendment, is anticipated to result in a net zero impact to local fund revenues as any dollars saved due to the reduction of TRSL IUAL payments will instead be expended on certificated and noncertificated employee pay raises.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

  
**Patrice Thomas**  
**Deputy Fiscal Officer**



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CONTINUED EXPLANATION from page one:

Proposed law stipulates that the net savings of each school system be used to provide pay raises of at least \$2,000 for certificated personnel and at least \$1,000 for noncertificated personnel, plus any associated retirement costs, beginning with the 2025-2026 school year.

If the net savings realized by a school system is insufficient to fully fund the salary increases in the amounts specified, plus any related benefits, the remaining amount necessary to fully fund the increases shall be provided for in the MFP formula.

La. Const. Art. 8, Sec. 13 mandates that BESE annually develop and adopt a formula used to determine the cost of, and equitably allocate the funding for, education in all public elementary and secondary schools.

In order for the funding to be included in future MFP formulas, BESE is required to adopt a formula including such a provision and that formula must subsequently be approved by the legislature.

For informational purposes, the Louisiana Department of Education (LDOE), in conjunction with TRSL, developed a series of simulations to reflect potential shifts in the valuation of the TRSL UAL at the time of payoff.

Note: LDOE reports there may also be impacts to MFP expenditures due to the change in TRSL contribution rates effectuated by the proposed constitutional amendment (HB 7).

LDOE anticipates the FY 26 rate for K-12 retirement contributions, under current circumstances, will be 20.95%, a reduction of 0.56% from FY 25.

Table with 2 columns: Description and Amount. Rows include Original Pay Stipend Cost (\$198,954,714), Revised Pay Increase Cost (\$192,343,146), TRSL Participants (\$177,763,188), and Non-TRSL Participants (\$14,579,958).

Proposed law requires that by December 31, 2025, each school system certify and report, in a manner determined by LDOE, that it has implemented the permanent salary increase and has expended or has contracted to expend any excess savings realized.

Senate Dual Referral Rules
[X] 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}
[ ] 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

House
[X] 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}
[ ] 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Signature of Patrice Thomas
Patrice Thomas
Deputy Fiscal Officer