# LEGISLATIVE FISCAL OFFICE
## Fiscal Note

Fiscal Note On: **SB 87** SLS 17RS 336

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

**Date:** May 2, 2017 1:37 PM

**Author:** MORRISH

**Dept./Agy.:** Education

**Subject:** MFP allocations to Teachers Retirement System

**Analyst:** Jodi Mauroner

BESE OR SEE FISC NOTE GF EX 

Requires allocation of certain amounts of minimum foundation program formula funds to the unfunded accrued liability of the Teachers' Retirement System. (gov sig)

Proposed law requires the Board of Elementary and Secondary Education to allocate annually from funds appropriated for the Minimum Foundation Program (MFP) funding formula an amount sufficient to cover the portion of the oldest outstanding Unfunded Accrued Liability (UAL) payment owed by elementary and secondary employers and remit the payment to the Teachers Retirement System of Louisiana (TRSL) on behalf of the employers; provides for allocations to be made until all unfunded accrued liability in TRSL has been liquidated. Requires TRSL to annually determine the percentage of the year's oldest UAL payment attributable to elementary and secondary employers and to invoice the Department of Education (LDE) each year for that amount. Requires employers to continue to remit the balance of required payments to the TRSL. Effective upon governor's signature.

| **EXPENDITURES** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **5 -YEAR TOTAL** |
|---|---|---|---|---|---|---|
| State Gen. Fd. | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | SEE BELOW | |
| Agy. Self-Gen. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Ded./Other | $0 | $0 | $0 | $0 | $0 | **$0** |
| Federal Funds | $0 | $0 | $0 | $0 | $0 | **$0** |
| Local Funds | $0 | $0 | $0 | $0 | $0 | **$0** |
| **Annual Total** | | | | | | |

| **REVENUES** | **2017-18** | **2018-19** | **2019-20** | **2020-21** | **2021-22** | **5 -YEAR TOTAL** |
|---|---|---|---|---|---|---|
| State Gen. Fd. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Agy. Self-Gen. | $0 | $0 | $0 | $0 | $0 | **$0** |
| Ded./Other | $0 | $0 | $0 | $0 | $0 | **$0** |
| Federal Funds | $0 | $0 | $0 | $0 | $0 | **$0** |
| Local Funds | DECREASE | DECREASE | DECREASE | DECREASE | DECREASE | |
| **Annual Total** | | | | | | |

**EXPENDITURE EXPLANATION**

For FY 18, the LDE will make payments totaling $206,036,219 to TRSL prior to the transfer of MFP funds to local school districts, special schools, and charter schools. Future payment amounts will be calculated annually. This does not represent an increase in the annual payment to the IUAL. It provides for payment directly to TRSL out of the MFP. Local districts and charter schools will still be responsible for normal cost and the remainder of the UAL contributions.

Proposed legislation requires TRSL to annually determine the amount of the midyear amortization payment on the oldest outstanding positive amoritzation base, as provided in the most recent system valuation adopted by the Public Retirement Systems' Actuarial Committee, which reflects the percentage of the payment allocated to elementary and secondary education employers. TRSL's oldest amortization bases were developed in 2009 with the restructuring of the UAL by Act 497 of 2009, resulting in the Original Amortization Base (OAB) which included the Initial Unfunded Accrued Liability (IUAL). The K-12 portion of the payment calculated in the June 2016 valuation which is to be paid in FY 18 totals $206,036,219. (This does not include the Experience Account Amortization Base (EAAB) which is $271,239,788). The $206 M payment shall be divided into 12 monthly payments and allocated on behalf of all employers receiving funds through the MFP. The LDE did not provide information on how the payments would be allocated across all MFP recipients.

**REVENUE EXPLANATION**

There will be a reduction in MFP funds distributed to local school districts, special schools, and charter schools as a result of the allocation of funds to the Teachers' Retirement System for the payment of the outstanding UAL prior to allocation of any MFP funds.

This reduction would also impact charter schools which do not participate in TRSL, reducing the amount of MFP funding currently received; the impact of which is indeterminable. Further, the LDE indicates that schools currently use all means of finance (MFP, local, and federal) to pay TRSL costs, and to the extent these are paid entirely with MFP funds, districts could be left with revenues which are restricted in nature and which may not be available to fully offset the MFP reductions.

Senate — Dual Referral Rules

☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}

☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}

House

☐ 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}

Evan Brasseaux

**Evan Brasseaux**
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