

LEGISLATIVE FISCAL OFFICE
Fiscal Note



Fiscal Note On: **HB 170** HLS 23RS 427

Bill Text Version: **ORIGINAL**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

REVISED

Date: April 19, 2023	7:14 AM	Author: TURNER
Dept./Agy.: Teachers' Retirement System of La.		Analyst: Deborah Vivien
Subject: Unfunded accrued liability		

FUNDS/FUNDING OR -\$444,300,000 GF RV See Note Page 1 of 1
 Dedicates portion of 0.45% state sales tax to payment of the Teachers' Retirement System of La. initial unfunded accrued liability

Proposed law creates the Teachers' Retirement Initial Unfunded Accrued Liability Fund containing all state sales tax revenue generated by the 0.45% temporary tax in FY 24 and FY 25, except that dedicated to the Transportation Trust Fund - Construction Subfund from vehicle sales tax. The funds will be applied monthly to the Initial Unfunded Accrued Liability (IUAL) by appropriation until the debt is paid or the 0.45% sales tax expires.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	SEE BELOW	SEE BELOW	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$444,300,000	SEE BELOW	\$0	\$0	\$0	\$444,300,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total						
REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$444,300,000)	SEE BELOW	\$0	\$0	\$0	(\$444,300,000)
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$444,300,000	SEE BELOW	\$0	\$0	\$0	\$444,300,000
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
Annual Total	\$0		\$0	\$0	\$0	\$0

EXPENDITURE EXPLANATION

The bill will accelerate the elimination of planned agency expenditures related to the IUAL debt depending on the updated amortization of the TSRL IUAL debt after the infusion of payments from the proceeds of the 0.45% sales tax in FY 24 and FY 25. The TSRL actuary assumed that these sales tax payments were made in FY 24 and FY 25 spread evenly over each month and in addition to regular payments and any additional funds, such as the FY 22 surplus payment. As a result, it was determined that the entirety of the FY 25 sales tax revenue may not be necessary to repay the IUAL debt should regular IUAL payments materialize as anticipated, allowing the IUAL debt to be paid off closer to June 30, 2025, instead of by 2028, which is anticipated to date.

Though sales tax is due monthly, the actual variation in monthly remittances could alter these results somewhat. The extent and timing of the impacts to the agencies would be in accordance with budgeting decisions. It is not clear how the reamortization requirement will impact the timing of these results since the debt is mandated to be reamortized through 2029.

The bill states that the sales tax funding may not be used to fund cost of living increases for TSRL benefits.

REVENUE EXPLANATION

The bill will reduce state general fund revenue in the amounts expected to be generated by 0.45% state sales tax in FY 24 and FY 25, \$444.3 M and \$438.7 M respectively, while increasing revenues to the fund created by the bill. These amounts do not include the vehicle sales tax dedicated to the Construction Subfund of the Transportation Trust Fund, which is not impacted by this bill.

Once the original amortization base, as defined in R.S. 11:102.2, is liquidated, which could occur during FY 25, deposits into the fund shall cease and remaining monies generated will revert to the state general fund.

These figures are based on forecast adopted at the December 15, 2022, meeting of the Revenue Estimating Conference. Should the sales tax official forecasts for FY 24 and FY 25 change, these estimated impacts would change in a corresponding manner.

Senate
 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}

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