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## DIGEST

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HB 170 Reengrossed

2023 Regular Session

Turner

**Abstract:** Dedicates to the payment of Initial Unfunded Accrued Liability (IUAL) at the Teachers' Retirement System of La. (TRSL) and to highway and bridge preservation projects the avails of the 0.45% state sales and use tax that are not otherwise dedicated to the Transportation Trust Fund and the Megaprojects Leverage Fund pursuant to present law.

Present law (R.S. 47:321.1) levies a temporary 0.45% state sales and use tax on the sale, use, consumption, storage, or lease of tangible personal property and certain services in La. The imposition of this tax expires on June 30, 2025. Present law further provides various exemptions from such levy. Proposed law retains present law.

Present law (R.S. 48:77) dedicates a portion of the 0.45% state sales and use tax avails to the Transportation Trust Fund and the Megaprojects Leverage Fund. Proposed law retains present law.

Proposed law dedicates the remainder of the 0.45% state sales and use tax avails to payment of the IUAL at TRSL and to highway and bridge preservation projects. Beginning July 1, 2023, proposed law requires deposit of the remaining 0.45% tax avails into the La. Preservation Fund. Provides that unexpended and unencumbered monies in the fund at the end of the fiscal year shall remain in the fund. Further provides that, subject to appropriation, monies in the fund shall be used as provided in proposed law.

In FY 2023-2024, monies in the fund are to be applied to the TRSL IUAL debt as follows:

- (1) Each month an amount equal to one-twelfth of the amount required pursuant to present law necessary to make that fiscal year's amortization payment on the IUAL debt shall be drawn from the fund and applied to the original amortization base. After the application of such amount toward the original amortization base, requires the system to credit each employer with its proportionate share of such amount based on the employer's aggregate FY 2022-2023 payroll, as reported to the system.
- (2) After all draws required pursuant to Paragraph (1), above, are made, the balance in the fund, less \$18M, shall be drawn by the system prior to the end of the fiscal year and applied to the system's original amortization base. Provides that such payment shall be in addition to and shall in no way supplant any payment toward such base otherwise required by law.

In FY 2024-2025, monies in the fund are to be split between two subfunds established within the fund and used for TRSL IUAL debt and road and bridge preservation projects as follows:

- (1) An amount equal to the first 25% of each deposit into the fund shall be deposited into the Highway Subfund, established within the fund, and shall be used by the Dept. of Transportation and Development for highway and bridge preservation projects.
- (2) The remainder shall be deposited into the IUAL Subfund, established within the fund to be used as follows:
  - (a) Each month an amount equal to one-twelfth of the amount required pursuant to present law necessary to make that fiscal year's amortization payment on the IUAL debt shall be drawn from the fund and applied to the original amortization base. After the application of such amount toward the original amortization base, requires the system to credit each employer with its proportionate share of such amount based on the employer's aggregate FY 2023-2024 payroll, as reported to the system.
  - (b) After all draws required pursuant to Paragraph (1), above, are made, the balance in the fund, less eighteen million dollars, shall be drawn by the system prior to the end of the fiscal year and applied to the system's original amortization base. Provides that such payment shall be in addition to and shall in no way supplant any payment toward such base otherwise required by law.

Proposed law provides that the term "original amortization base" shall have the same meaning as in present law (R.S. 11:102.2) and the term "system" shall mean TRSL.

Proposed law further provides that, notwithstanding any provision of law or proposed law to the contrary, no draws from the any subfund shall be approved until the Revenue Estimating Conference has adopted an official forecast with a projected balance for the applicable subfund. If such a forecast is adopted after July 1, 2023, the first draw by the TRSL shall be for an amount sufficient to cover all missed monthly draws to date plus the current month's draw, with monthly draws in accordance with the provisions of this Act to commence thereafter.

Proposed law further provides that draws may only be made on the IUAL Subfund until the IUAL is liquidated. Requires the director of the TRSL to notify the state treasurer immediately if the system's IUAL is liquidated prior to expiration of the 0.45% state sales and use tax levy. If the IUAL is liquidated, requires deposits into the IUAL Subfund to cease and the monies that otherwise would have been deposited into the subfund to be deposited into the state general fund. Upon notification by the director of TRSL of liquidation of the IUAL, proposed law directs the treasurer to transfer any remaining balances in the fund to the state general fund.

Effective upon signature of governor or lapse of time for gubernatorial action.

(Amends R.S. 47:321.1(G))

Summary of Amendments Adopted by House

The Committee Amendments Proposed by House Committee on Appropriations to the original

bill:

1. Change the name of the fund from the Teachers' Retirement Initial Unfunded Accrued Liability Fund to the Louisiana Preservation Fund.
2. Change the use of monies in the fund from exclusive use for extra payments toward TRSL IUAL to use for payments toward the system's IUAL on behalf of employers, extra payments towards the IUAL, and highway and bridge preservation projects.
3. Establish subfunds within the fund for the highway and bridge preservation projects and the IUAL payments.
4. Prohibit withdrawals from a subfund until the Revenue Estimating Conference has adopted a forecast for that subfund.
5. Prohibit deposits into the IUAL Subfund once the debt is fully paid off.
6. Requires the Public Retirement Systems Actuarial Committee to meet as soon as practicable after the effective date of proposed law and prior to June 30, 2023, to adopt a new FY 23-24 employer contribution rate for TRSL in conformity with the provisions of proposed law.

The House Floor Amendments to the engrossed bill:

1. Delete provisions providing that some of the payments made from the IUAL subfund are in lieu of equivalent payments toward the IUAL debt that otherwise would have been made through employer contributions.
2. Require instead that the system apply a credit to each employer's account in the amount of the employer's proportionate share of the total debt payment. Bases the calculation of such credit on the employer's aggregate fiscal year payroll (as reported to the system) for the immediately prior fiscal year.
3. Delete provision requiring the Public Retirement Systems Actuarial Committee to meet prior to June 30, 2023, to adopt a new employer contribution rate for the system in accordance with proposed law.
4. Make technical changes.