

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



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

Bill Text Version: **REENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 4, 2023	8:24 AM	<b>Author:</b> TURNER
<b>Dept./Agy.:</b> Teachers' Retirement System of La.		<b>Analyst:</b> Deborah Vivien
<b>Subject:</b> Unfunded accrued liability		

FUNDS/FUNDING RE -\$444,300,000 GF RV See Note Page 1 of 2  
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 Louisiana Preservation Fund (LPF) containing all state sales tax revenue generated by the 0.45% temporary tax in FY 24 and FY 25, except those dedicated to the Transportation Trust Fund - Construction Subfund from vehicle sales tax. The IUAL debt will be re-amortized in FY 25 as in current law. Every month in FY 24, each employer will be credited an amount equal to the proportional share of the regular IUAL payment based on FY 23 payroll with the remainder of deposits (less \$18 M) applied to the Original Amortization Base (OAB) at the end of the fiscal year. In FY 25, the monthly credit will be based on FY 24 payroll and the final draw will include all remaining funds plus \$18 M less deposits to the Highway Subfund. Proposed law creates the Highway Subfund containing the first 25% of each FY 25 deposit to the Louisiana Preservation Fund to be used solely for DOTD infrastructure (see page 2). The 75% remaining will be deposited to the IUAL Subfund (created in the bill) to credit employers for FY 25 IUAL payments. If the IUAL debt is paid before FY 26, any available funds will flow to the SGF.

EXPENDITURES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	INCREASE	INCREASE	\$0	\$0	\$0	<b>\$0</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	DECREASE	DECREASE	DECREASE	DECREASE	DECREASE	
<b>Annual Total</b>						

REVENUES	2023-24	2024-25	2025-26	2026-27	2027-28	5 -YEAR TOTAL
State Gen. Fd.	(\$444,300,000)	(\$438,700,000)	\$0	\$0	\$0	<b>(\$883,000,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	\$444,300,000	\$438,700,000	\$0	\$0	\$0	<b>\$883,000,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<b><u>\$0</u></b>
<b>Annual Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

**EXPENDITURE EXPLANATION**

According to the Legislative Auditor, the bill will accelerate the elimination of planned agency expenditures related to the IUAL debt after the infusion of payments from the proceeds of the 0.45% sales tax in FY 24 (\$444.3 M) and FY 25 (\$438.7 M) with the re-amortization of the TSRL IUAL debt in FY 25. Projected reduced expenditures from the bill for K-12 are: \$153 M in FY 24 and \$105.4 M in FY 25; and for HIED: \$57.1 M in FY 24 and \$39.4 M in FY 25, resulting in a reduction of approximately 4% of payroll that will no longer be paid against the IUAL for those years. However, since the credits in the bill are based on prior year payroll, it is possible that some employers could receive credits in excess of their IUAL allocation and some could receive credits that do not fully extinguish their IUAL allocation. It is not clear whether these credits will require an appropriation from the fund or be presented as an offset to the employers existing IUAL monthly contribution. It is understood by LFO that employers will continue to make regular IUAL payments and receive a fixed credit each month with no true-up to exactly offset the individual employer's aggregate IUAL allocation at the end of the year.

In FY 26, it is estimated that the employers will be required to make a payment of approximately \$76 M (K-12: \$55 M; HIED: \$21 M), which is less than the currently projected \$144 M total regular payment and will retire the debt. Elimination of the IUAL debt will extend the savings indefinitely.

**CONTINUED ON PAGE 2**

**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 Louisiana Preservation Fund and related Subfunds 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, 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.

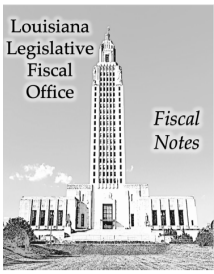
Senate  
 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}  
 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}

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}

*Alan M. Boxberger*

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**CONTINUED EXPLANATION from page one:**  
**EXPENDITURE EXPLANATION (Continued from Page 1)**

Though sales tax is due monthly and may fluctuate, the amount of the credit will be a fixed amount each month. Presumably, the employer will make the regular IUAL payment based on current year allocations and TRSL will provide a credit from the fund (or IUAL subfund) to offset all, more or a portion of the regular IUAL allocation. Apparently, regular payments will resume to the extent that sales tax collections do not materialize as expected. The bill states that the sales tax funding may not be used to fund cost of living increases for TSRL benefits.

**Highway Subfund**

The bill provides for an additional appropriation of \$109.7 M (the first 25% of each deposit) from the Highway Subfund to DOTD during FY 25 for highway and bridge preservation projects. However, at the end of each fiscal year the balance of the fund is applied to the IUAL debt. At the end of FY 25, the fund will contain two subfunds, IUAL and Highway, that will apparently both be applied to the IUAL debt. Unless all of the Highway Subfund can be spent within FY 25, any unspent highway funds will apparently be applied to IUAL debt under the current language.

Senate

Dual Referral Rules

House

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

6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}

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

6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}

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