



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

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

**Date:** November 14, 2024 5:16 PM **Author:** BACALA  
**Dept./Agy.:** Education **Analyst:** Julie Silva  
**Subject:** Salary increases for teachers and other school employees

TEACHERS/SALARY RE 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, any charter school, or any other elementary or secondary school governing authority that participates in TRSL.

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 aforementioned 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. This represents 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.

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}

  
**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 related benefits, beginning with the 2025-2026 school year. Personnel, as defined in proposed legislation, means any person employed in a position for which the Board of Elementary and Secondary Education proposed a pay raise in the Fiscal Year 2023-2024 Minimum Foundation Program (MFP) Formula and the legislature subsequently appropriated as a one-time stipend in Act 4 of the 2024 RS. If the amount of net savings realized by a school system is in excess of the amount needed to fully fund the salary increases in the amounts specified, plus any related benefits, the school system is permitted to spend such savings on only the following: 1) instruction and school administration as defined in BESE rules in accordance with the minimum instructional expenditure requirement contained in the MFP formula as adopted by the state board and approved by the legislature and 2) school security enhancements.

Amendments adopted by the House Education Committee on 11/12/24 require that 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. The legislature, prior to its approval of the formula, may return it to BESE and recommend changes for consideration by the board; however, it may not amend or alter the formula approved by BESE in any way.

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. Based on this, the LFO is unable to definitively state whether this amendment will impact future fiscal year SGF expenditures. Additionally, the amount of excess or deficiency realized by each school system depends on several variables and actual impacts will not be known until the time the funds named in HB 7 are fully liquidated, their balances transferred to TRSL, and the retirement contribution rate of TRSL is re-amortized.

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. Based on these, a range of between 4 to 43 participant systems may not realize savings sufficient to fund pay raises at the mandated amounts, with the total statewide cost for such shortage ranging from \$70,000 to \$6.2 M. If this funding were to be included in future MFP formulas, it would need to be added in Level 4 and would result in an increase in SGF expenditures.

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). A series of prior year pay raises, provided by the legislature, are included within the formula. These raises also include payments for applicable retirement costs, which should also realize an actuarial rate reduction. This would result in an estimated \$10 M reduction in MFP Level 4 costs.

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. Assuming the proposed constitutional amendment is adopted, LDOE and TRSL expect an additional reduction of 4.79%, bringing 2025-2026 contribution rates to 16.16%. Based on the simulations provided by LDOE, the following information summarizes anticipated costs to provide the pay raises and related benefits outlined in proposed legislation.

Table with 2 columns: Description and Amount. Rows include Original Pay Stipend Cost (FY 25) with TRSL Employer Contribution of 21.51% (\$198,954,714), Revised Pay Increase Cost with TRSL Employer Contribution of 16.16% (\$192,343,146), TRSL Participants (Local Responsibility) (\$177,763,188), and Non-TRSL Participants (\$14,579,958).

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