

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 466** HLS 25RS 1010
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action: **w/ SEN COMM AMD**
Proposed Amd.:
Sub. Bill For.:

Date: June 6, 2025	9:48 AM	Author: CARLSON
Dept./Agy.: Education		
Subject: Teacher pay increase		Analyst: Julie Silva

TEACHERS/SALARYRE1 INCREASE GF EX See NotePage 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

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. Proposed legislation is dependent on the adoption of the proposed constitutional amendment currently under consideration by the legislature as HB 473, which liquidates the balances of the Education Excellence Fund, the Louisiana Education Quality Trust Fund, and the Louisiana Quality Education Support Fund and transfers those balances to the Teacher's Retirement System of Louisiana (TRSL) for payment of the system's total unfunded accrued liability (IUAL/UAL). Requires local public school systems to pay a teacher pay raise with savings realized from payment of those retirement system liabilities at a rate of \$2,250 for certificated personnel and at least \$1,225 for noncertificated personnel, as provided by law. Requires additional SGF expenditures for the Minimum Foundation Program relative to such pay raises and directs BESE to submit the total amount of the required adjustment to MFP funding to the legislature for inclusion in the FY 27 general appropriation bill no later than 5/15/26.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	INCREASE	INCREASE	INCREASE	INCREASE	\$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	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	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	\$0	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Proposed legislation is anticipated to increase SGF expenditures for the Minimum Foundation Program beginning in FY 27 due to the inclusion of the proposed pay raises within the funding formula (detailed below). Local fund expenditures will also increase; however, this increase will be offset due to the savings realized if the proposed constitutional amendment currently under consideration by the legislature as HB 473 is adopted by the legislature and subsequently approved by the electorate at a statewide election to be held on 4/18/26.

If approved, the constitutional amendment directs that the treasurer transfer the balances of the Louisiana Quality Education Trust Fund (Permanent Fund), the Louisiana Education Quality Support Fund (Support Fund), and the Education Excellence Fund (EEF) to the Teacher's Retirement System of Louisiana (TRSL) for payment to the system's unfunded accrued liability (UAL), no later than 5/15/26.

Proposed legislation further requires the MFP formula submitted by BESE and effective for the 2026-27 school year to include the permanent salary increase and related benefits for all public school system personnel eligible for the pay stipends provided in FY 24 and FY 25. The legislature is required to include appropriate funding for these increases; however, any portion of the funding for a public school system that participates in TRSL will be adjusted to account for the net savings realized by that public school system for the 2026-2027 school year attributable to the payments made to the UAL.

Continued on Page Two

REVENUE EXPLANATION

Proposed legislation, in conjunction with proposed constitutional amendment, is anticipated to result in a net zero impact to local fund revenues.

Senate

Dual Referral Rules

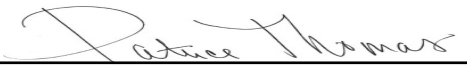
☒ 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}

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

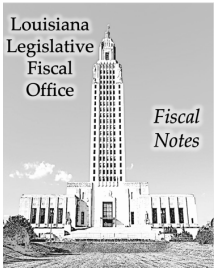
House

☒ 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: Page 2 of 2

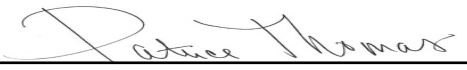
The FY 25 beginning balances of the Permanent Fund (\$1.45 B), the Support Fund (\$36 M), and the EEF (\$482 M) will result in a pay down of an estimated \$1.96 B of the total UAL. Local education agencies are expected to see a decrease in local fund expenditures resulting from the transfer of these fund balances to TRSL.

The estimated total cost to provide the pay raises included in proposed legislation is \$217.2 M in FY 27 and annualized in the following FYs. The pay down of a portion of the TRSL UAL, if the constitutional amendment currently under consideration as HB 473 is approved, is estimated to decrease contribution payments to TRSL across all local elementary and secondary education school systems for employees in the K-12 plan by \$236.2 M. While the savings realized across all systems statewide exceeds the total estimated amount of the pay raises as provided in proposed legislation, due to the varying savings across school systems, some may realize more or less than the funding needed to cover their individual responsibility. LDOE estimates this would result in a total cost of \$200.5 M in local funds (dollars saved as a result of the TRSL UAL paydown) and \$16.7 M SGF for all non-TRSL participant employees eligible for the increase. Based on the most recent simulation prepared by TRSL and LDOE, an estimated seven school systems will not realize savings sufficient to fully cover the mandated pay increase at a total cost of \$265,000. Conversely, some local school systems will have a surplus of funding available after the required pay raises are provided, estimated at \$35.8 M statewide. This funding is available for specific uses, detailed below.

The \$236.2 M reduction to K-12 plan TRSL participant employer payroll contributions is assumed to be a combination of Local Funds and distributions from the MFP. Proposed law stipulates that the net savings of each school system be used to provide pay raises of at least \$2,250 for certificated personnel and at least \$1,225 for noncertificated personnel, plus any associated retirement costs, beginning with the 2026-2027 school year. 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) employing personnel that qualifies for differentiated compensation allocations in critical shortage areas; 2) employing personnel for Summer enrichment programs pursuant to R.S. 17:401.11; 3) early childhood education as authorized by the Cecil J. Picard LA 4 Early Childhood Program, pursuant to R.S. 17:407.26; 4) school security enhancements; and 5) school technology upgrades.

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 proposed legislation will impact future fiscal year SGF expenditures. **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 473 are fully liquidated, their balances transferred to TRSL, and the retirement contribution rate of TRSL is re-amortized.**

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 473). 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.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	
<input checked="" type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input checked="" type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input type="checkbox"/> 13.5.2 >= \$500,000 Annual Tax or Fee Change {S & H}		<input type="checkbox"/> 6.8(G) >= \$500,000 Tax or Fee Increase or a Net Fee Decrease {S}	Patrice Thomas Deputy Fiscal Officer