

LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 473** HLS 25RS 620
Bill Text Version: **REENGROSSED**
Opp. Chamb. Action:

Proposed Amd.:
Sub. Bill For.:

Date: May 13, 2025	8:42 AM	Author: EMERSON
Dept./Agy.: TRSL		
Subject: Eliminates education funds for payment of TRSL UAL		Analyst: Julie Silva

FUNDS/FUNDING RE DECREASE SD RV See Note Page 1 of 2

(Constitutional Amendment) Provides relative to the application of state monies to the unfunded accrued liability of the Teachers' Retirement System of La.

Current constitution allocates the proceeds of the Master Settlement Agreement (MSA) to the Millennium Trust (75%) and Louisiana Fund (25%). All of the Millennium Trust MSA payment is deposited to the TOPS Fund. Investment earnings on the Millennium Trust, after retaining an inflation factor, are split equally between the TOPS Fund, Health Excellence Fund, and Education Excellence Fund.

Proposed amendment retains law regarding the Louisiana Fund and liquidates the Education Excellence Fund, Louisiana Education Quality Trust Fund (Permanent Fund), and the Louisiana Quality Education Support Fund (Support Fund) sending the balance to Teachers Retirement System of Louisiana to apply to it oldest amortized unfunded accrued liability (UAL) base. Proposed amendment retains TOPS MSA payment and splits investment earnings of the Millennium Trust equally between the TOPS Fund and Health Excellence Fund after applying an inflationary factor. To be submitted to the electors at the statewide election to be held on November 3, 2026.

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	SEE BELOW	\$0	\$0	\$0	\$0
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	\$0
Ded./Other	\$0	SEE BELOW	\$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	DECREASE	DECREASE	DECREASE	DECREASE	\$0
Federal Funds	\$0	\$0	\$0	\$0	\$0	\$0
Local Funds	\$0	\$0	\$0	\$0	\$0	\$0
Annual Total	\$0					\$0

EXPENDITURE EXPLANATION

Proposed legislation dissolves the Louisiana Education Quality Trust Fund (Permanent Fund), the Louisiana Quality Education Support Fund (Support Fund), and the Education Excellence Fund (EEF), and transfers the balances to the amortization base of the Teachers’ Retirement System of Louisiana (TRSL). The beginning FY 25 balances in the three funds totaled nearly \$2 B (Permanent Fund - \$1.45 B; Support Fund - \$36.2 M; and EEF - \$482 M)

The elimination of these trust funds as constitutionally protected revenue sources is expected to result in an increase in local fund expenditures to supplant allocations made to educational entities from these funds. While entities with employees enrolled in TRSL will also realize some cost savings, estimated to be \$325.4 M annually (\$238.7 M for the K-12 plan and \$86.7 M for higher education), actual impacts will not be known until the time the funds are fully liquidated, their balances transferred to TRSL, and the retirement contribution rate of TRSL is re-amortized. The LFO cannot quantify the net gain or loss any individual system may realize. The proposed constitutional amendment removes these dedicated funding streams and transfers the remaining balances of the funds to the TRSL for the purpose of paying down a portion of its unfunded accrued liability (UAL).

Concerning monies in the Education Excellent Fund, the Department of Treasury is directed to work with the Department of Education (LDOE) to determine the amounts held to the credit of a political subdivision or school and transfer that amount to the Overcollections Fund, where LDOE will be permitted to draw down money without an appropriation through the end of FY 27. Similarly, monies held in the Permanent Fund and the Support Fund that are held to the credit of the Board of Elementary and Secondary Education (BESE) and the Board of Regents (BoR) are to be transferred to the Overcollections Fund, however expenditures will require an appropriation. Transfer of the remaining balances of all three funds to TRSL is to be completed no later than 4/01/27.

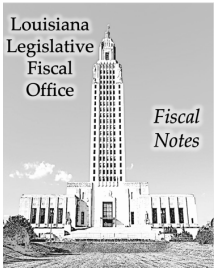
Note: HB 466, currently under consideration by the legislature, directs the savings realized by local school systems, if realized due to approval of this constitutional amendment at a statewide election, to be used to fund annualization of prior year stipends for certificated and non-certificated school employees. See the fiscal note for HB 466 for additional information as this specific directive for expenditure of the savings is not contemplated within the proposed constitutional amendment.

Continued on Page Two
REVENUE EXPLANATION

The combined revenue generated from investments and royalties for the three education funds in FY 24 was approximately \$68 M. This recurring source of funding would no longer be available for future appropriation after the funds’ dissolution.

Revenues to the TOPS Fund and the Health Excellence Fund are expected to increase as, upon dissolution of the EEF, interest earnings on the Millenium Trust Fund will be deposited evenly between them.

<u>Senate</u>	<u>Dual Referral Rules</u>	<u>House</u>	 Patrice Thomas Deputy Fiscal Officer
<input type="checkbox"/> 13.5.1 >= \$100,000 Annual Fiscal Cost {S & H}		<input 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}	



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CONTINUED EXPLANATION from page one: Page 2 of 2

The Secretary of State may incur minimal ballot processing costs associated with this measure. As a regular practice, the Secretary of State typically budgets for up to 10 constitutional amendments and statewide propositions for the fall statewide elections. To the extent the ballot includes more than 10 constitutional amendments and statewide propositions, the Secretary of State may require additional SGF resources for the November 3, 2026, statewide election. Any expenditure impact would be realized in FY 27.

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