



LEGISLATIVE FISCAL OFFICE  
Fiscal Note

Fiscal Note On: **HB 656** HLS 25RS 1174

Bill Text Version: **ENGROSSED**

Opp. Chamb. Action:

Proposed Amd.:

Sub. Bill For.:

<b>Date:</b> May 14, 2025	12:04 PM	<b>Author:</b> JORDAN
<b>Dept./Agy.:</b> Revenue		
<b>Subject:</b> New Dedications for Teachers and RS 47:321.1		<b>Analyst:</b> Mimi Blanchard

TAX/SALES & USE

EG -\$276,800,000 GF RV See Note

Repeals the reduction in the state sales and use tax rate and dedicates a portion of the avails of the state sales tax to fund teacher pay raises

Current law imposes a 1% state sales and use tax under R.S. 47:321.1, with the rate scheduled to decrease to 0.75% beginning January 1, 2030. Proceeds from this tax are deposited into the State General Fund. No portion is specifically dedicated to teacher compensation, and the tax is currently applicable to sales, use, leases, rentals, and services as defined in Chapter 2 of Title 47.

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Proposed law repeals the scheduled 0.25% rate reduction, making the full 1% tax rate under R.S. 47:321.1 permanent. It establishes the Teacher Compensation Fund in the state treasury and dedicates 25% of the avails of the 1% tax levied under R.S. 47:321.1 to this fund. Monies in the fund must be appropriated to the Minimum Foundation Program to fund pay raises for teachers and support staff as outlined in the FY 2023-2024 MFP Formula. Upon signature of the governor

EXPENDITURES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Agy. Self-Gen.		\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$997,500,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Annual Total	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$199,500,000</b>	<b>\$997,500,000</b>

REVENUES	2025-26	2026-27	2027-28	2028-29	2029-30	5 -YEAR TOTAL
State Gen. Fd.	<b>(\$276,800,000)</b>	<b>(\$282,000,000)</b>	<b>(\$265,590,000)</b>	<b>(\$268,620,000)</b>	<b>(\$272,430,000)</b>	<b>(\$1,365,440,000)</b>
Agy. Self-Gen.	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Ded./Other	<b>\$276,800,000</b>	<b>\$282,000,000</b>	<b>\$265,590,000</b>	<b>\$268,620,000</b>	<b>\$272,430,000</b>	<b>\$1,365,440,000</b>
Federal Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Local Funds	\$0	\$0	\$0	\$0	\$0	<b>\$0</b>
Annual Total	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

EXPENDITURE EXPLANATION

Proposed law will result in an increase in statutory dedication expenditures from the Teacher Compensation Fund beginning in FY 26 to support supplemental payments through the Minimum Foundation Program (MFP). The supplemental payments will provide \$2,000 annually for certificated and \$1,000 annually for non-certificated public school employees across city and parish school systems, charter schools, state special schools, and university lab schools. The Department of Education (LDOE) reports the total cost of these payments, including employer contributions to the Teachers’ Retirement System of Louisiana using the FY26 adopted rates, will be approximately \$199.5 M annually. While actual costs may vary in future years, LFO assumes a flat expenditure projection based on current staffing levels and historical costs for similar payments.

Treasury requires certain resources to create and administer a statutory dedication, as in this bill. Should aggregate session action result in the creation of funds beyond that which can be absorbed within existing resources, additional funding may be required.

REVENUE EXPLANATION

Proposed law will result in a revenue increase to the newly created Teacher Compensation Fund beginning in FY26 by dedicating 0.25% of the 1% state sales and use tax levied under R.S. 47:321.1. **Based on data from the 12/19/24 official forecast, approximately \$1.3B will be redirected from the SGF to the Teacher Compensation Fund (TCF) over the five-year fiscal window, including \$276.8M in FY26, \$282M in FY27, \$265.6M in FY28, \$268.8M in FY29, and \$272.4M in FY30.** The FY30 value is estimated by applying the average annual growth rate observed from FY26 through FY29 and adjusting for the fact that the levy would have otherwise decreased to 0.75% under current law. By maintaining the full 1% rate, related revenues in subsequent years will continue to be collected; however, this amount will be dedicated to the TCF. **For instance, in FY30 SGF will increase by \$146.1M due to the tax increase, although the increase will subsequently be dedicated to the TCF.**

Additionally, a portion from motor vehicle sales, would have otherwise been dedicated to the Transportation Trust Fund, Construction Subfund (CSF) beginning in FY28. The dedication to CSF is not expected to decrease in FY26 or FY27 due to a fixed transfer of \$40M in each of those years. **Beginning in FY28, the CSF dedication will resume as 60% of state sales tax collections on motor vehicles will be redirected to the TCF by approximately \$19.6M in FY28 and FY29, and \$19.8M in FY30.** The total CSF reduction across FY26 through FY30 is approximately \$49.1M. Any significant changes to the REC forecast could materially impact these estimates.

**In total, the TCF will receive \$276.8M in FY26, \$282M in FY27, \$285.2M in FY28, \$288.3M in FY29, and \$292.2M in FY30.**

<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 type="checkbox"/> 6.8(F)(1) >= \$100,000 SGF Fiscal Cost {H & S}	
<input checked="" 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}	<div>Deborah Vivien Chief Economist</div>