

## RÉSUMÉ DIGEST

ACT 222 (HB 473)

2025 Regular Session

Emerson

As explained in further detail below, proposed constitutional amendment repeals certain funds in the state treasury and applies the monies from those funds to the Unfunded Accrued Liability (UAL) of the Teachers' Retirement System of La. (TRSL). Requires savings from the UAL payment to be used to pay a permanent pay increase of \$2,250 for certificated personnel and \$1,125 for noncertificated personnel. Requires the Minimum Foundation Program (MFP) formula for the 2026-2027 school year to include funding necessary to cover equivalent raises for personnel whose employers do not participate in TRSL and to fully fund any required raises for employers that do participate in TRSL and did not recognize savings sufficient to fully fund the required pay increase amounts.

### REPEAL OF CERTAIN TREASURY FUNDS

#### LA. EDUCATION QUALITY TRUST FUND (LEQTF)

Present constitution (Art. VII, §10.1) establishes the LEQTF. Requires certain portions of monies received by the state from a settlement with the federal government regarding mineral production activity or leasing activity on the Outer Continental Shelf be deposited into the LEQTF and held as part of a permanent trust fund. Further requires deposit into the permanent trust fund of 25% of the interest income earned on investment of monies in the permanent trust fund, 75% of the realized capital gains on permanent trust fund monies, and 25% of dividend income earned on permanent trust fund monies. Prohibits appropriation from the permanent trust fund.

Within the LEQTF, present constitution also establishes the "Support Fund" and requires deposit of 75% of the recurring revenues received pursuant to federal law (43 U.S.C. 1337(g)) which are attributable to mineral production activity or leasing activity. Further requires deposit of the percent remaining of the realized capital gains and interest income and dividend income earned on investment of the permanent trust fund.

Requires deposits in conformity with allocations described above until the balance in the permanent trust fund reached \$2 B. Thereafter requires all interest earnings and all recurring revenues be credited to the Support Fund.

Requires monies in the permanent trust fund to be invested by the treasurer and authorizes up to 35% to be invested in stock. Authorizes monies in the Support Fund to be available to pay expenses incurred in the investment and management of the permanent trust fund and for educational purposes as provided in present constitution.

Present constitution requires the State Board of Elementary and Secondary Education (BESE) and the Board of Regents to submit annual reports to the legislature regarding proposed programs and budgets for monies in the Support Fund.

Present constitution authorizes appropriation from the Support Fund only for investment and management expenses and for educational purposes. Requires available monies to be appropriated equally between higher education and elementary and secondary education purposes. Requires appropriation of monies for educational purposes be made to the Board of Regents and BESE.

Present constitution prohibits monies appropriated from the Support Fund from displacing, replacing, or supplanting appropriations from the general fund for other educational purposes. With certain exceptions, prohibits appropriation of monies for any fiscal year from the Support Fund for any purpose for which a general fund appropriation was made in the previous year.

Present constitution provides a list of eligible purposes for monies appropriated to the Board of Regents from the Support Fund, including the endowment of chairs for eminent scholars and enhancing the quality of academic, research, or agricultural departments or units within an institution. Provides a list of eligible purposes for monies appropriated to BESE from the

Support Fund, including compensation to professional instructional employees, insuring adequate supply of instructional materials, and funding school remediation programs.

Proposed constitutional amendment repeals present constitution.

## MILLENNIUM TRUST

Existing constitution (Art. VII, §10.8) establishes the Millennium Trust as a special permanent trust in the state treasury. Requires deposit of certain monies received by the state as a result of settling litigation against certain tobacco product manufacturers.

Present constitution requires monies in the Millennium Trust to be invested in the same manner and subject to the same restrictions as monies in the LEQTF. Proposed constitutional amendment requires monies in the Millennium Trust to be invested as provided by law.

Present constitution establishes three funds within the Millennium Trust: the Health Excellence Fund, the Education Excellence Fund, and the TOPS Fund. As further explained below, proposed constitutional amendment makes structural changes to the Health Excellence and TOPS Funds and repeals the Education Excellence Fund in its entirety.

Existing constitution requires deposit into the Millennium Trust of 75% of the total monies received each year. Beginning after the balance in the Millennium Trust reaches a total of \$1.38 B, existing constitution requires allocation of monies deposited into the trust to the various funds within the trust.

### *(a) Health Excellence Fund*

Present constitution requires the treasurer to credit to the Health Excellence Fund one-third of all investment earnings on the investment of monies in the trust. Proposed constitutional amendment increases the amount of investment earnings that must be deposited in the account from one-third to one-half. Existing constitution requires deposit into the Health Excellence Fund of the revenues derived from the 4/20 of one cent per cigarette tax levied pursuant to present law (R.S. 47:841(B)(3)). Further requires the treasurer to report annually to the legislature as to the amount of investment earnings credited to the Health Excellence Fund.

Existing constitution limits appropriations from the Health Excellence Fund to an annual amount not to exceed the estimated aggregate annual earnings from interest, dividends, and realized capital gains on investment of the trust credited to the Health Excellence Fund and the amount of proceeds credited to the fund from the cigarette tax avails (R.S. 47:841(B)(3)).

Existing constitution restricts use of monies from the Health Excellence Fund to certain enumerated purposes, including initiatives to ensure the optimal development of La.'s children through the provision of appropriate health care and initiatives to benefit the citizens of La. with respect to health care.

### *(b) Education Excellence Fund*

Present constitution requires the treasurer to credit to the Education Excellence Fund 1/3 of all investment earnings on the investment of monies in the trust.

Present constitution limits appropriations from the Education Excellence Fund to an annual amount not to exceed the estimated aggregate annual earnings from interest, dividends, and realized capital gains on investment of the trust allocated as provided in present constitution. Limits appropriation to those aggregate investment earnings which were in excess of an inflation factor as determined by the Revenue Estimating Conference. Limits the amount of realized capital gains on investment which could be included in the aggregate earnings available for appropriation from exceeding the aggregate of earnings from interest and dividends for that year.

Present constitution restricts use of monies from the Education Excellence Fund to certain enumerated purposes, including to the La. Educational Television Authority and certain special schools, for independent public schools approved by BESE, and for distribution to each city, parish, and other local school system on a pro rata basis based on a prescribed student population ratio. Further restricts expenditures to pre-kindergarten through twelfth grade instructional enhancement for students. Specifically prohibits expenditures for maintenance or renovation of buildings, capital improvements, and increases in employee salaries. Requires each recipient entity to annually prepare and submit to the state Dept. of Education a plan for expenditure of Education Excellence funds. Prohibits amounts appropriated pursuant to present constitution from displacing, replacing, or supplanting appropriations from the general fund for elementary and secondary education, including implementing the Minimum Foundation Program. Requires the treasurer to maintain a record of the amounts appropriated that remained in the state treasury. Any such amounts, and investment earnings attributable to such amounts remain to the credit of each recipient entity at the close of each fiscal year.

Proposed constitutional amendment repeals present constitution.

*(c) TOPS Fund*

Existing constitution requires the treasurer to report annually to the legislature as to the amount of investment earnings credited to the TOPS Fund. Further requires the treasurer to credit to the TOPS Fund 100% of the settlement agreement proceeds deposited into the Millennium Trust. Present constitution allocates 1/3 of all investment earnings on the investment of trust monies to the TOPS Fund. Proposed constitutional amendment increases the amount of investment earnings deposited into the TOPS Fund from one-third to one-half.

Existing constitution limits appropriations from the TOPS Fund to the amount of annual settlement agreement proceeds credited to the fund and an annual amount not to exceed the estimated aggregate annual earnings from interest, dividends, and realized capital gains on investment of the trust. Further limits appropriation to those aggregate investment earnings which are in excess of an inflation factor as determined by the Revenue Estimating Conference.

Existing constitution restricts use of monies from the TOPS Fund to support state programs for financial assistance for students attending La. institutions of postsecondary education.

## **USE OF STATE MONIES**

### **RETIREMENT DEBT PAYMENT**

Proposed constitutional amendment (Art. VII, §10.17) requires the treasurer to transfer to TRSL no later than May 31, 2026, the liquidated fair market value of each of the following funds:

- (1) The Education Excellence Fund.
- (2) The LEQTF.
- (3) The La. Quality Education Support Fund.

Proposed constitutional amendment requires TRSL to apply the transferred monies to its oldest UAL. Provides that if the transferred monies are insufficient to fully liquidate a UAL debt schedule, the system is required to reamortize any remaining debt for that schedule with annual level-dollar payments over the remainder of the original amortization period.

Proposed constitutional amendment further provides that a participating employer's net savings attributable to the payments made pursuant to proposed constitutional amendment shall be used to provide a permanent salary increase, plus any related benefits, of \$2,250 for certificated personnel and \$1,125 for noncertificated personnel, as provided by law.

## **MFP FORMULA**

Proposed constitutional amendment requires the MFP formula in effect for the 2026-2027 school year to include both of the following:

- (1) A permanent salary increase and related benefits for personnel whose employers do not participate in TRSL equivalent to that provided by proposed constitutional amendment to personnel whose employers do participate in TRSL.
- (2) A calculation of the total amount necessary to complete funding of the permanent salary increase and related benefits granted to personnel whose employers participate in TRSL for employers that did not realize net savings for the 2026-2027 school year sufficient to fund the required permanent salary increase and related benefits.

For purposes of proposed constitutional amendment, defines "public school system" to mean any city, parish, or other local public school board; charter school; and any other elementary or secondary school governing authority. Further defines "personnel" to mean persons employed in the positions for which an across-the-board pay raise was proposed in the Fiscal Year 2023-2024 MFP formula for that fiscal year and for which a stipend was provided for Fiscal Year 2024-2025 in Act No. 4 of the 2024 Regular Session of the Legislature. Further provides that to the extent any funding is required to be added to the minimum foundation program formula funding for Fiscal Year 2026-2027 because of the provisions of proposed constitutional amendment, the total amount of such funding shall be submitted by BESE to the legislature no later than May 15, 2026, for inclusion in the FY 2026-2027 general appropriation bill.

Proposed constitutional amendment further provides that until the legislature approves a MFP formula pursuant to present constitution (Art. VIII, §13), the permanent salary increases and related benefits required pursuant to proposed constitutional amendment for all personnel are deemed part of the formula most recently adopted by BESE and approved by the legislature. Further provides that the provisions of proposed constitutional amendment regarding the minimum foundation program formula are not to be construed to infringe on the authority granted to BESE and that they shall cease to be effective when a new program formula is adopted by BESE and approved by the legislature.

Proposed constitutional amendment additionally provides that the additional funding required through the MFP formula for each public school system that did not realize net savings for the 2026-2027 school year sufficient to fund the permanent salary increase and related benefits required pursuant to proposed constitutional amendment shall be maintained at the level established for that system for the 2026-2027 school year until a new MFP formula that includes such funding is adopted by BESE and approved by the legislature.

#### MONIES HELD IN FUNDS TO BE REPEALED

Proposed constitutional amendment (Sections 3 & 4 of this Act) establish timelines and protocols for withdrawal of monies held in the Education Support Fund and the Education Excellence Fund to the credit of certain entities. Require certified balances owed to be transferred by the treasurer to the Overcollections Fund. Provides restrictions on use of monies held in the Overcollections Fund pursuant to proposed constitutional amendment

Proposed constitutional amendment (Section 5 of this Act) retains certain sums in the following accounts for satisfaction of Fiscal Year 2025-2026 appropriations from such funds:

- (1) LEQTF.
- (2) La. Quality Education Support Fund.
- (3) Education Excellence Fund.

Further provides that, notwithstanding any provision of proposed constitutional amendment to the contrary, transfers from such funds to TRSL are net of these amounts.

After the effective date of proposed constitutional amendment (Section 6 of this Act) deposits into the following funds are prohibited:

- (1) LEQTF.
- (2) La. Quality Education Support Fund.
- (3) Education Excellence Fund.

Proposed constitutional amendment further directs the treasurer, until directed otherwise by law, to deposit monies that would have been deposited into such funds into the state general fund.

#### **TECHNICAL CHANGES**

Existing constitution (Art. VII, §10) exempts certain funds and allocations from deficit avoidance procedures. Present constitution grants the LEQTF such an exemption. Proposed constitutional amendment repeals this exemption for the LEQTF.

Proposed constitutional amendment makes technical and conforming changes throughout.

Provides for submission of the proposed amendment to the voters at the statewide election to be held April 18, 2026.

(Amends Art. VII, §10.8(A)(1), (2), and (4), (B), and (C)(1); Adds Art. VII, §10.17; Repeals Art. VII, §§10(F)(4)(d), 10.1, 10.8(A)(3) and (C)(3), and 10.16(A)(9))