LEGISLATIVE FISCAL OFFICE
Fiscal Note

Fiscal Note On: **HB 666** HLS 13RS 801
Bill Text Version: **ORIGINAL**
Opp. Chamb. Action:
Proposed Amd.:
Sub. Bill For.:

Date: May 4, 2013 10:09 AM
Author: PEARSON
Dept./Agy.: Education
Subject: MFP payments for Teacher's Retirement
Analyst: Mary Kathryn Drago

BESE OR SEE FISC NOTE LF EX

Requires certain payments from minimum foundation program formula funds to the Teachers Retirement System of Louisiana

The proposed legislation requires the Board of Elementary and Secondary Education to annually allocate an amount from the Minimum Foundation Program (MFP) sufficient to make the annual payment to the Teacher's Retirement System on behalf of all employees receiving funds through the MFP formula. The retirement system is required to annually invoice the Department of Education for an amount equal to 90% of the cost of the mid-year amortization payment on the Original Amortization Base schedule reflected in the most recent system valuation adopted by the Public Retirement Systems Actuarial Committee. The Department of Education will transfer the required amount to the retirement system on behalf of all employers. Each employer that receives formula funds and employs contributing members of the retirement system is liable for the balance pursuant to R.S. 11:102 to the retirement system. The provisions of this Act will become effective on July 1, 2013.

EXPENDITURES	2013-14	2014-15	2015-16	2016-17	2017-18	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	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	SEE BELOW	
Annual Total						

REVENUES	2013-14	2014-15	2015-16	2016-17	2017-18	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	$0	$0	$0	$0	**$0**
Annual Total	**$0**	**$0**	**$0**	**$0**	**$0**	**$0**

EXPENDITURE EXPLANATION

The potential impact on each local school district expenditures is indeterminable. It is assumed that the total amount spent by all school districts for teacher's retirement payments will not change. However, an individual local school district may spend more or less towards teacher's retirement payments as a result of this measure. A percentage (90% per the bill) of the Original Amortization Base (OAB), referred to as the Initial Unfunded Accrued Liability (IUAL), will be paid as a lump sum from the Minimum Foundation Program (MFP) prior to each school district receiving their MFP allocation. The total OAB payment amount will be allocated to each school district, possibly on a per pupil basis, which would be deducted from their normal allocation calculated through the MFP. If the amount is spread on a per pupil basis, 90% of the estimated OAB for 2014 ($222 M) equals $324.58 per student. School district's allocations would decrease by a range from 4.31% to 14.8% to account for the $222 M OAB payment. The OAB payment will change each fiscal year as well as the student enrollment per district, which will change the aforementioned estimates in subsequent fiscal years.

Each school system and charter school with employees participating in the Teacher's Retirement System would be responsible for the retirement balance due pursuant to R.S. 11:102. It is assumed that the teacher's retirement rate paid by employers for K-12 teachers will be reduced from 27.2% (the estimated FY 13-14 rate) to account for the OAB payment. The school districts will be responsible to pay the adjusted retirement rate. Until a new rate is established by an actuary it is not possible to determine the potential impact to each school system. In addition, it is not known how BESE will determine how to apply the OAB payment across school systems. The figures above are based on the assumption that the payment would be applied on a per pupil basis.

REVENUE EXPLANATION

There is no anticipated direct material effect on governmental revenues as a result of this measure.

Senate	Dual Referral Rules	House
☐ 13.5.1 >= $100,000 Annual Fiscal Cost {S&H}		☐ 6.8(F) >= $500,000 Annual Fiscal Cost {S}
☐ 13.5.2 >= $500,000 Annual Tax or Fee Change {S&H}		☐ 6.8(G) >= $500,000 Tax or Fee Increase or a Net Fee Decrease {S}

Evan Brasseaux

Evan Brasseaux
Staff Director