

LEGISLATIVE FISCAL OFFICE
Fiscal Note Worksheet - 2019 REGULAR SESSION

Person Preparing Fiscal Note: Ryan Gremillion

BILL NUMBER:

HB 19

Phone Number of this Person 2253421501

DRAFTING NO:

HLS 19RS-35

STATUS OF BILL:

DEPARTMENT: Education

AUTHOR: **Rep. Pearson**

DATE SENT TO AGENCY: 02/22/19

ANALYST:

DATE RETURNED TO LFO: 02/25/19

Expenditure increase (decrease)					
STATE COSTS	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024
PERSONAL SERVICES	\$0	\$0	\$0	\$0	\$0
OPERATING EXPENSES	\$0	\$0	\$0	\$0	\$0
PROFESSIONAL SERVICES	\$0	\$0	\$0	\$0	\$0
OTHER CHARGES	\$0	\$0	\$0	\$0	\$0
EQUIPMENT	\$0	\$0	\$0	\$0	\$0
TOTAL STATE EXP	\$0	\$0	\$0	\$0	\$0

PERSONNEL

By Classification	FY 2019-2020	FY 2020-2021	FY 2021-2022	FY 2022-2023	FY 2023-2024
	No. Pos./Ave. salary	No. Pos./Ave. salary	No. Pos./Ave. salary	No. Pos./Ave. salary	No. Pos./Ave. salary
	0	0	0	0	0
	0	0	0	0	0

MEANS OF FINANCE FOR ABOVE EXPENDITUREES

FISCAL YEAR	STATE GEN. FUND	AGENCY SELF GENERATED	RESTRICTED/ OTHER*	FEDERAL FUNDS	LOCAL FUNDS
19-20	See Below	See Below	\$0	\$0	\$0
20-21	See Below	See Below	\$0	\$0	\$0
21-22	See Below	See Below	\$0	\$0	\$0
22-23	See Below	See Below	\$0	\$0	\$0
23-24	See Below	See Below	\$0	\$0	\$0
* Specify the fund source being used	See Below	See Below	\$0	\$0	\$0

Narrative Explanation of Expenditure Impact

1) Implementation Costs:

This proposed legislation requires the Board of Elementary and Secondary Education (BESE) to allocate annually from the funds appropriated for the Minimum Foundation Program (MFP) an amount sufficient to cover the portion of the initial unfunded accrued liability (IUAL) payment owed by elementary and secondary employers in TRSL from the MFP monies before such monies are distributed to school boards. This proposed legislation also requires TRSL to invoice the Department of Education (DOE) each year for an amount sufficient to cover 90 percent of the IUAL for that year. The DOE shall transfer the required amount to the retirement system on behalf of all employers receiving formula funds in twelve equal monthly payments.

This bill does not take into account that other sources in addition to MFP funding are used for retirement contributions, some of which are dedicated funds, which would go unused if not expended on retirement contributions. Using solely state MFP funds for this expenditure assumes that all fund sources are interchangeable when some fund sources are restricted in use by various state and federal regulations. This bill impairs the ability of the LEAs to prudently manage the fiscal affairs of the school district based on the make-up and availability of available funds - state, local and federal. The inability to fully use all state, local and federal dollars because funds are shifted away from these sources to the MFP will result in fewer dollars available to support the educational services provided to students.

There will be a reduction in the distribution of funds to charter schools which do not participate in the TRSL, though many of them do. Funds would instead be transferred to the TRSL for payment on the IUAL, which could lead to a reduction in future contributions for all TRSL participants to the extent shared UAL costs decrease. This proposed legislation assumes that charter schools not participating in TRSL have funds available to absorb these costs when most charter schools provide some type of retirement plans or benefits in lieu of TRSL (e.g., 401(k) plans). The legislation fails to acknowledge their autonomy to provide employee benefits in the manner they so choose in accordance with the law.

There is no impact to the state, as there will be no change to the MFP level of funding as a result of this legislation. However, there may be an impact to charter schools; the impact is dependent on the election of the charter school regarding retirement plans. Therefore, this amount is currently indeterminable.

2) Source of funds (Include any alternate sources that may be available):

N/A

STATE ALL ASSUMPTIONS AND SHOW ALL CALCULATIONS. IF THERE IS NO FISCAL IMPACT, CLEARLY AND COMPLETELY EXPLAIN WHY.

Signature of Agency Head or Designee

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Revenue Increase (Decrease)

<u>FISCAL YEAR</u>	<u>STATE GEN. FUND</u>	<u>AGENCE SELF GENERATED</u>	<u>RESTRICTED/ OTHER</u>	<u>FEDERAL FUNDS</u>	<u>LOCAL FUNDS</u>
19-20	See Above	See Above	\$0.00	\$0.00	\$0.00
20-21	See Above	See Above	\$0.00	\$0.00	\$0.00
21-22	See Above	See Above	\$0.00	\$0.00	\$0.00
22-23	See Above	See Above	\$0.00	\$0.00	\$0.00
23-24	See Above	See Above	\$0.00	\$0.00	\$0.00

Narrative Explanation of Revenue Impact

There will be a reduction in MFP funds distributed to local school districts, special schools, and charter schools as a result of the allocation of funds to TRSL for payment of the IUAL prior to allocation of MFP funds. This reduction would also impact those charter schools not participating in TRSL, reducing the amount of MFP funding currently received. The impact to those charter schools is indeterminable at this time. Further, schools currently use MFP, local, and federal funds to pay TRSL costs. To the extent these costs are paid entirely with MFP funds, districts could be left with revenues which are restricted and not available to offset the MFP reductions.

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CONTINUATION SHEET

EXPLANATION OF ESTIMATE:

EXPENDITURES: (Continued)

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REVENUES: (Continued)

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SIGNATURE OF AGENCY HEAD OR DESIGNEE

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