HLS 14RS-425 ORIGINAL

Regular Session, 2014

HOUSE BILL NO. 26

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BY REPRESENTATIVE JONES

RETIREMENT/FUNDING: (Constitutional Amendment) Requires that a portion of nonrecurring revenue be applied toward reducing the balance of the unfunded accrued liability of certain state retirement systems

A JOINT RESOLUTION

2 Proposing to amend Article VII, Section 10(D)(2)(c) through (f) of the Constitution of 3 Louisiana and to add Article VII, Section 10(D)(2)(g) of the Constitution of 4 Louisiana, to provide for allowable uses of nonrecurring revenue; to provide for the 5 payment of unfunded accrued liabilities; to provide for submission of the proposed 6 amendment to the electors; and to provide for related matters. 7 Notice of intention to introduce this Act has been published 8 as provided by Article X, Section 29(C) of the Constitution 9 of Louisiana. 10 Section 1. Be it resolved by the Legislature of Louisiana, two-thirds of the members 11 elected to each house concurring, that there shall be submitted to the electors of the state of 12 Louisiana, for their approval or rejection in the manner provided by law, a proposal to 13 amend Article VII, Section 10(D)(2)(c) through (f) of the Constitution of Louisiana and to 14 add Article VII, Section 10(D)(2)(g) of the Constitution of Louisiana, to read as follows: 15 §10. Expenditure of State Funds 16 Section 10. 17 18 (D) Appropriations. 19

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CODING: Words in struck through type are deletions from existing law; words <u>underscored</u> are additions.

1 (2) Except as otherwise provided in this constitution, the appropriation or 2 allocation of any money designated in the official forecast as nonrecurring shall be 3 made only for the following purposes: 4 5 (c)(i) Providing for payments against the unfunded accrued liability of the Louisiana School Employees' Retirement System and the State Police Retirement 6 7 System; however, any such payments to these systems shall not be used, directly or 8 indirectly, to fund cost-of-living increases for such systems. 9 (ii) For Fiscal Year 2015-2016 and every fiscal year thereafter, the legislature 10 shall appropriate no less than two and one-half percent of any money designated in 11 the official forecast as nonrecurring to the Louisiana School Employees' Retirement 12 System and the State Police Retirement System for application to the oldest 13 outstanding positive amortization base of each system, without reamortization of the 14 base. Amounts so appropriated shall be in proportion to the balance of the unfunded 15 accrued liability of each system. Upon complete liquidation of the oldest outstanding 16 positive amortization base of a system, any remaining funds shall be applied to the 17 next oldest outstanding positive amortization base of the system, without 18 reamortization of the base, until all such appropriated funds are used. Any such 19 payments to the public retirement systems shall not be used, directly or indirectly, 20 to fund cost-of-living increases for such systems. 21 (d) Providing funding for capital outlay projects in the comprehensive state 22 capital budget. 23 (d) (e) Providing for allocation or appropriation for deposit into the Budget 24 Stabilization Fund established in Article VII, Section 10.3 of this constitution. (e) (f) Providing for allocation or appropriation for deposit into the Coastal 25 26 Protection and Restoration Fund established in Article VII, Section 10.2 of this

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constitution.

1 (f) (g) Providing for new highway construction for which federal matching 2 funds are available, without excluding highway projects otherwise eligible as capital 3 projects under other provisions of this constitution. 4 5 Section 2. Be it further resolved that this proposed amendment shall be submitted to the electors of the state of Louisiana at the statewide election to be held on November 4, 6 7 2014. 8 Section 3. Be it further resolved that on the official ballot to be used at the election, 9 there shall be printed a proposition, upon which the electors of the state shall be permitted 10 to vote YES or NO, to amend the Constitution of Louisiana, which proposition shall read as 11 follows: 12 Do you support an amendment to require that two and one-half percent of nonrecurring state money be applied toward the oldest outstanding unfunded 13 14 accrued liability of the Louisiana School Employees' Retirement System and 15 the State Police Retirement System? (Amends Article VII, Section 10(D)(2) 16 (c) through (f); Adds Article VII, Section 10(D)(2)(g))

## DIGEST

The digest printed below was prepared by House Legislative Services. It constitutes no part of the legislative instrument. The keyword, one-liner, abstract, and digest do not constitute part of the law or proof or indicia of legislative intent. [R.S. 1:13(B) and 24:177(E)]

Jones HB No. 26

**Abstract:** Provides for at least 2.5% of funds recognized as nonrecurring to be applied toward payment of the balance of the oldest outstanding unfunded accrued liabilities of the La. School Employees' Retirement System and the State Police Retirement System.

<u>Present constitution</u> provides that any money designated in the official forecast as nonrecurring shall be appropriated for the following purposes:

- (1) Retiring or defeasance of bonds in advance of and in addition to the existing amortization requirements of the state.
- (2) Providing for payments against the unfunded accrued liability that existed as of June 30, 1988, of the public retirement systems, which are in addition to any payments required by <u>present constitution</u> for the annual amortization of such unfunded accrued liability.

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Requires that for FY 2013-2014 and 2014-2015 a minimum of 5% of any money designated in the official forecast as nonrecurring shall be applied toward payment of the balance of the unfunded accrued liabilities for those liabilities which existed as of June 30, 1988, for the La. State Employees' Retirement System and the Teachers Retirement System of La. in proportion to the balance of such unfunded accrued liability of each system.

Further requires that for FY 2015-2016 and thereafter the minimum amount applied toward payment of the balance of the unfunded accrued liabilities shall increase to 10%.

- (3) Providing funding for capital outlay projects in the comprehensive state budget.
- (4) Providing for allocation or appropriation for deposit into the Budget Stabilization Fund. Article VII, §10.3(A)(3) and (C)(4) requires 25% of nonrecurring revenues be deposited into the Budget Stabilization Fund unless the fund balance exceeds 4% of the previous fiscal year's total state receipt.
- (5) Providing for allocation or appropriation for deposit into the Coastal Protection and Restoration Fund.
- (6) Providing for new highway construction for which federal matching funds are available, without excluding highway projects otherwise eligible as capital projects under other provisions of law.

<u>Proposed constitutional amendment</u> retains <u>present constitution</u>.

<u>Proposed constitutional amendment</u> provides for payments from nonrecurring revenue to be made against the general unfunded accrued liability of the La. School Employees' Retirement System and the State Police Retirement System.

<u>Proposed constitutional amendment</u> provides that for FY 2015-2016 and every fiscal year thereafter a minimum of 2.5% of any money designated in the official forecast as nonrecurring shall be applied toward payment of the balance of the oldest outstanding unfunded accrued liability of the La. School Employees' Retirement System and the State Police Retirement System in proportion to the balance of such unfunded accrued liability of each system. Upon complete liquidation of the oldest outstanding debt of the system, any remaining funds from an appropriation pursuant to <u>proposed constitutional amendment</u> shall be applied to the next oldest outstanding debt of such system until all such appropriated funds are exhausted. Further prohibits reamortization of the debt when the proposed funds are applied toward it.

<u>Proposed constitutional amendment</u> prohibits the direct and indirect use of any such dedicated funds to fund a cost-of-living increase.

Provides for submission of the proposed amendment to the voters at the statewide election to be held Nov. 4, 2014.

(Amends Const. Article VII, §10(D)(2)(c)-(f); Adds Const. Article VII, §10(D) (2)(g))