

Regular Session, 2013

SENATE BILL NO. 229

BY SENATOR BROOME

Prefiled pursuant to Article III, Section 2(A)(4)(b)(i) of the Constitution of Louisiana.

FUNDS/FUNDING. Provides that the Louisiana Education Quality Trust Fund shall be known as the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust Fund." (gov sig)

1 AN ACT

2 To amend and reenact R.S. 17: 3801(A)(1), 3802(C)(4), 3803(B)(1)(d), (h), (i), and (E)(1),

3 and 3804(B), R.S. 39:99(C)(2) and (D)(1)(b), R.S. 46:2691(C)(2) and R.S.

4 49:308.4(C) and 329(A), relative to certain Louisiana education funds; to provide

5 that the Louisiana Education Quality Trust Fund shall be known as the "Kevin P.

6 Reilly, Sr. Louisiana Education Quality Trust Fund"; to provide for an effective date;

7 and to provide for related matters.

8 Be it enacted by the Legislature of Louisiana:

9 Section 1. R.S. 17:3801(A)(1), 3802(C)(4), 3803(B)(1)(d), (h), (i) and (E)(1) , and

10 3804(B) are hereby amended and reenacted to read as follows:

11 PART I. LOUISIANA EDUCATION QUALITY TRUST FUND, **hereinafter also**

12 **known as the "KEVIN P. REILLY, SR. LOUISIANA EDUCATION QUALITY**

13 §3801. Louisiana Education Quality Trust Fund, **hereinafter also known as the**

14 **"Kevin P. Reilly, Sr. Louisiana Education Quality Trust Fund"**

15 A.(1) There shall be established in the state treasury as a special permanent

16 trust fund the Louisiana Education Quality Trust Fund, **which shall hereinafter also**

17 **be known as the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust**

1 **Fund", henceforth** referred to as the "Permanent Trust Fund". After allocation of
2 money to the Bond Security and Redemption Fund as provided in Article VII,
3 Section 9(B) of the constitution, and notwithstanding Article XIV, Section 10 of the
4 constitution, the treasurer shall deposit in and credit to the Permanent Trust Fund all
5 money which is received from the federal government under Section 1337(g) of Title
6 43 of the United States Code which is attributable to mineral production activity or
7 leasing activity on the Outer Continental Shelf which has been held in escrow
8 pending a settlement between the United States and the state of Louisiana, except the
9 first one hundred million dollars so received; twenty-five percent of the recurring
10 revenues received under Section 1337(g) of Title 43 of the United States Code which
11 are attributable to mineral production activity or leasing activity on the Outer
12 Continental Shelf; twenty-five percent of the interest income earned on investment
13 of monies in the Permanent Trust Fund; and seventy-five percent of realized capital
14 gains and twenty-five percent of dividend income earned on investment of the
15 Permanent Trust Fund. No appropriation shall be made from the Permanent Trust
16 Fund.

* * *

18 §3802. Appropriations; procedure; limitation; administration

* * *

20 C.

* * *

22 (4) Costs attributable to the state treasurer exercising responsibility for the
23 custody, investment, and disbursement of the monies in the Louisiana Education
24 Quality Trust Fund, **hereinafter also known as the "Kevin P. Reilly, Sr. Louisiana**
25 **Education Quality Trust Fund"**, and the Support Fund are administrative costs
26 properly paid out of Support Fund monies, and shall be paid by appropriation from
27 the Support Fund. Such costs include costs attributable to fees charged by any
28 financial institution for providing custodial services not to exceed two percent of
29 amounts managed costs incurred for outside investment managers for the investment

1 and management of the Permanent Trust Fund not to exceed two percent of amounts
 2 managed and other direct costs incurred by the treasurer. Other costs related to these
 3 funds shall be paid by appropriation from the state general fund. All appropriations
 4 made to, or upon the request of, the state treasurer, related to the management of
 5 either the Louisiana Education Quality Trust Fund, **hereinafter also known as the**
 6 **"Kevin P. Reilly, Sr. Louisiana Education Quality Trust Fund"**, or the Support
 7 Fund shall be subject to review of the education funds committee.

8 * * *

9 §3803. Investment authority; treasurer

10 * * *

11 B. Grant of authority.

12 (1) The state treasurer is hereby authorized and directed to invest offshore
 13 revenues which are deposited into any fund created pursuant to the constitution or
 14 statutes of the state which are determined by the state treasurer to be available for
 15 investment in the following permitted investments:

16 * * *

17 (d) Stocks of any corporation listed on the New York Stock Exchange, the
 18 American Stock Exchange, the National Association of Securities Dealers
 19 Automated Quotations System, or other such stock exchange domiciled in the United
 20 States and registered with the United States Securities and Exchange Commission,
 21 provided that the total investment in such stocks at any one time shall not exceed
 22 thirty-five percent of the market value of all funds held by the treasurer in the
 23 Louisiana Education Quality Trust Fund, **hereinafter also known as the "Kevin P.**
 24 **Reilly, Sr. Louisiana Education Quality Trust Fund"**.

25 * * *

26 (h) Tax exempt bonds and other taxable governmental bonds. In addition to
 27 all other investment authority related to the Louisiana Education Quality Trust Fund,
 28 **hereinafter also known as the "Kevin P. Reilly, Sr. Louisiana Education Quality**
 29 **Trust Fund"**, the state treasurer may invest in tax exempt bonds as defined in R.S.

1 49:342(C), and in taxable bonds issued by any state or a political subdivision or
2 public corporation of any state, provided that such taxable bonds are rated at the time
3 the investment is made by a nationally recognized rating agency in one of the three
4 highest rating categories of that rating agency.

5 (i) Bonds, debentures, notes, or other similar obligations issued in the United
6 States market, denominated in United States dollars and are the direct legal
7 obligations of a foreign nation which the International Monetary Fund lists as an
8 industrial country, for which investments in and/or business transactions with are not
9 prohibited or restricted by any law, regulation, or rule of the United States or the
10 state of Louisiana, and for which the full faith and credit of such nation has been
11 pledged for the payment of principal and interest; provided that any such security
12 shall be rated at least A- or better by Standard & Poor's Corporation or A3 or better
13 by Moody's, Inc., or an equivalent investment grade by a securities ratings
14 organization accepted by the National Association of Insurance Commissioners; and,
15 provided further that the total investment in such foreign securities at any one time
16 shall not exceed five percent of the market value of all investments held by the
17 treasurer in the Louisiana Education Quality Trust Fund, **hereinafter also known**
18 **as the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust Fund"**, or any
19 other fund or investment of funds subject to this investment authority.

20 * * *

21 E. Repurchase agreements.

22 (1) In addition to all other investment authority related to the Louisiana
23 Education Quality Trust Fund, **hereinafter also known as the "Kevin P. Reilly, Sr.**
24 **Louisiana Education Quality Trust Fund"**, the state treasurer may enter into direct
25 security repurchase agreements, reverse security repurchase agreements, and
26 securities lending contracts in order to generate passive income.

27 * * *

28 §3804. Legislative oversight

29 * * *

1 program requirements in the 2001-2002 school year of the program funded with
2 Louisiana Education Quality Trust Fund, **hereinafter also known as the "Kevin P.**
3 **Reilly, Sr. Louisiana Education Quality Trust Fund"**, money who would be
4 eligible to attend kindergarten in a school over which the board has jurisdiction who
5 are at risk of academic failure until all such children are provided such services.

6 * * *

7 Section 3. R.S. 46:2691(C)(2) is hereby amended and reenacted to read as follows:

8 §2691. Medicaid Trust Fund for the Elderly

9 * * *

10 C.

11 * * *

12 (2) The state treasurer is hereby authorized and directed to invest the monies
13 deposited in and credited to the fund that are available for investment in the
14 investments permitted for the Louisiana Education Quality Trust Fund, **hereinafter**
15 **also known as the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust**
16 **Fund"**, as set forth in R.S. 17:3803(B), (D), and (E). In establishing investment
17 goals and policies for monies in the Medicaid Trust Fund for the Elderly, the state
18 treasurer shall consult no less frequently than semiannually with the secretary of the
19 Department of Health and Hospitals as to the anticipated cash withdrawals from the
20 fund during the next twelve months.

21 * * *

22 Section 4. R.S. 49:308.4(C) and 329(A) are hereby amended and reenacted to read
23 as follows:

24 §308.4. Use of funds on deposit; repayment to special funds

25 * * *

26 C. This Section shall not apply to or otherwise provide for the use of the
27 money in the Louisiana Education Quality Trust Fund, **hereinafter also known as**
28 **the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust Fund"**,
29 (Constitution Article VII, Section 10.1) and the Transportation Trust Fund

1 (Constitution Article VII, Section 27).

2 * * *

3 §329. Nominee name for the Louisiana Education Quality Trust Fund, **hereinafter**
4 **also known as the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust**
5 **Fund"**

6 A. The state treasurer may invest available funds and hold, purchase, sell,
7 assign, transfer, and dispose of any of the securities of the Louisiana Education
8 Quality Trust Fund, **hereinafter also known as the "Kevin P. Reilly, Sr. Louisiana**
9 **Education Quality Trust Fund"**, in its nominee name, "LEQTF & Co.".

10 * * *

11 Section 5.(A) The late Kevin P. Reilly, Sr. served as a member of the Louisiana
12 House of Representatives from 1972 to 1988. During that time, Representative Reilly was
13 Chairman of the House Committee on Appropriations for 14 of his 16 year term in the House
14 of Representatives.

15 (B) In 1985, as a member of the House of Representatives, Kevin P. Reilly,
16 Sr. pushed for and provided key leadership in the formation of the Louisiana
17 Education Quality Trust Fund, also known as the "8g Fund" or the "8g Trust Fund".
18 This trust fund earmarks certain oil and natural gas royalties for elementary,
19 secondary, and higher education funding purposes.

20 (C) Today, the Louisiana Education Quality Trust Fund, hereinafter also to
21 be known as the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust Fund", has
22 a current balance of \$1.15 billion of which \$42.4 million is forecast to be available
23 for allocation to elementary, secondary, and higher education funding purposes this
24 fiscal year.

25 Section 6. This Act shall become effective upon signature by the governor or, if not
26 signed by the governor, upon expiration of the time for bills to become law without signature
27 by the governor, as provided by Article III, Section 18 of the Constitution of Louisiana. If
28 vetoed by the governor and subsequently approved by the legislature, this Act shall become
29 effective on the day following such approval.

The original instrument and the following digest, which constitutes no part of the legislative instrument, were prepared by Jay Lueckel.

DIGEST

Present law provides relative to the Louisiana Education Quality Trust Fund which was created as a special permanent trust fund in the state treasury with monies received from the federal government attributable to mineral production or leasing activity on the Outer Continental Shelf. Establishes a Support Fund which shall be available for appropriation for educational purposes, including funding for elementary, secondary, and higher education.

Proposed law provides that the Louisiana Education Quality Trust Fund shall hereinafter also be known as the "Kevin P. Reilly, Sr. Louisiana Education Quality Trust Fund". Proposed law makes name change, but retains all other provisions of present law. Proposed law makes similar name changes only throughout the various statutes where Louisiana Education Quality Trust Fund occurs.

Proposed law provides a brief history of the late Kevin P. Reilly, Sr. who served as a member of the Louisiana House of Representatives from 1972 to 1988, as Chairman of the House Committee on Appropriations for 14 of his 16 year term, and, in 1985, provided key leadership in the formation of the Louisiana Education Quality Trust Fund, also known as the "8g Fund" or the "8g Trust Fund". Today, the fund has a current balance of \$1.15 billion of which \$42.4 million is forecast to be available for allocation to elementary, secondary, and higher education funding purposes this fiscal year.

Effective upon signature of the governor or lapse of time for gubernatorial action.

(Amends R.S. 17: 3801(A)(1), 3802(C)(4), 3803(B)(1)(d), (h), (i), and (E)(1), and 3804(B), R.S. 39:99(C)(2) and (D)(1)(b), R.S. 46:2691(C)(2) and R.S. 49:308.4(C) and 329(A))