



Report Highlights

Impact of Unfunded Accrued Liability Payments on Public Education Funding in Louisiana

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Audit Control # 40210016
Performance Audit Services • October 2021

Why We Conducted This Audit

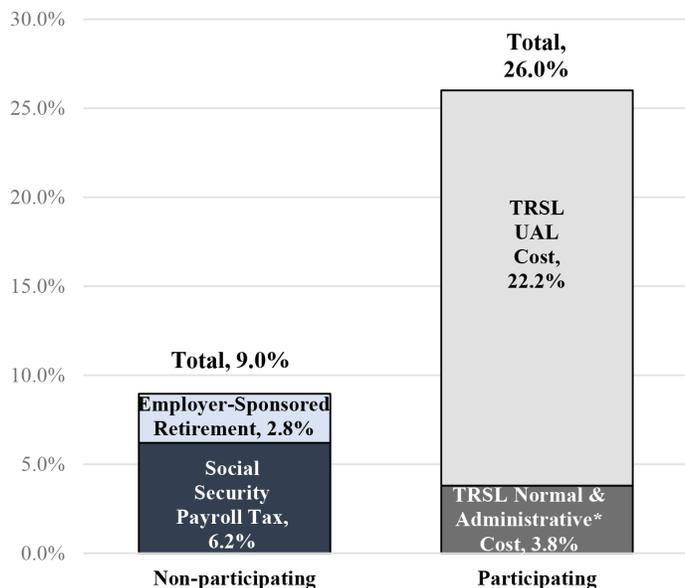
We evaluated the impact of unfunded accrued liability (UAL) payments on funding for pre-K-12 education in Louisiana for the 1,355 schools that participate in one of the state's public retirement systems, which includes all traditional public schools and 51 charter schools that choose to participate (referred to as participating schools), compared to the 112 non-participating schools, which are those charter schools that choose not to participate (referred to as non-participating schools).

What We Found

Overall, we found that the UAL payments that the 1,355 participating schools made to their retirement system resulted in fewer funds schools had to spend on non-retirement educational expenses.

- **For fiscal year (FY) 2020, participating schools collectively had \$852.8 million less to spend on non-retirement educational expenses, such as teacher salaries, classroom materials, and facilities, as a result of required UAL contributions.** As a result, the 1,355 participating schools, which are responsible for educating 655,071 public school students in Louisiana, pay approximately \$1,302 per student towards the UAL that the 112 non-participating schools, responsible for approximately 58,068 students, do not have to pay.

Retirement Costs as a Percentage of Teacher Salaries TRSL versus Employer-Sponsored Plan Fiscal Year 2020



*Normal cost for TRSL for FY 2020 was 3.35%. Administrative cost was 0.45% of payrolls.

Source: Prepared by legislative auditor's staff using data from the Louisiana Department of Education Annual Financial Reports, Social Security Administration, and the Teachers Retirement System of Louisiana.

The UAL is the debt the state owes to the state retirement systems, which is paid by schools based on a percentage of their employees' salaries. Every year state law requires that schools make payments towards the UAL, primarily to the Teachers' Retirement System of Louisiana (TRSL) and the Louisiana School Employees' Retirement System (LSERS). As of June 30, 2020, the combined UAL for these retirement systems was \$11.1 billion. Over the course of FY 2020, participating schools and other state and local government employers paid \$1.1 billion to TRSL and \$63.5 million to LSERS towards the UAL.

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What We Found (Cont.)

- **UAL payments account for an average of 10.0% of participating schools' total revenues and 23.9% of their Minimum Foundation Program (MFP) funds.** In addition, the burden of UAL payments is not distributed evenly across the state. Some school systems pay more per student in UAL costs than others. For example, Calcasieu Parish pays 11.7% of its total revenue on the UAL, while Bienville Parish pays only 7.4%.
- **Although the 112 non-participating schools have to contribute to Social Security and may also offer their own employer-sponsored retirement plans, the employer-sponsored retirement plans offered by these schools on average cost less than the normal retirement contribution and UAL payments that participating schools have to make.** Participating schools pay 11.8% of their total expenditures towards retirement costs, while non-participating schools pay only 4.1%.
- **The legislature may wish to consider working with the Board of Elementary and Secondary Education (BESE) to evaluate alternative ways of paying down the UAL for TRSL and LSERS that could be less burdensome for participating schools. For example, the legislature could provide funds to pay down the UAL directly, which would reduce the amount that would need to come from employer contributions from participating schools.** The legislature and BESE could also explicitly consider UAL costs in the MFP formula when distributing funds to Louisiana public schools.