*Welcome to LLA Reports, a podcast produced by the Louisiana Legislative Auditor’s office. This podcast is intended to be an oral representation of the written report it highlights and is primarily for the use of the Louisiana Legislature.*

This is Gina Brown. I’m a manager with LLA Performance Audit Services.

This episode of LLA Reports focuses on our new report titled “Impact of Unfunded Accrued Liability Payments on Public Education Funding.”

The purpose of this audit was to evaluate the effect of Unfunded Accrued Liability payments – or the UAL – on public education funding in Louisiana.

Overall, we found that in fiscal year 2020, schools participating in the Teachers’ Retirement System of Louisiana – known as TRSL -- or the Louisiana School Employees’ Retirement System – known as LSERS -- collectively had $852.8 million dollars less to spend on non-retirement educational expenses because of their required UAL contributions.

Non-retirement educational expenses include such things as teacher salaries, classroom technology, support staff, materials, and facilities.

One thousand three hundred and fifty-five schools – including all traditional public schools and some charter schools – participate in TRSL and LSERS. These schools, which were responsible for educating nearly 655,000 public school students in 2020, paid approximately one thousand three hundred and two dollars per student toward the systems’ combined $11.1-billion-dollar UAL.

The one hundred and twelve non-participating schools, which were responsible for educating approximately 58,000 students, did not have to pay. Non-participating schools are charter schools that choose not to participate in either TRSL or LSERS.

Participating schools must contribute to state retirement systems to help pay the cost of retirement benefits for their current employees, as well as make additional contributions to pay down the UAL.

We found that UAL payments accounted for an average 10 percent of the participating schools’ total revenues and 23.9 percent of their Minimum Foundation Program funds.

We also found that the burden of UAL payments was not distributed evenly across the state. Some districts paid more per student in UAL costs than other districts because of differences in labor costs, total revenues, and the proportion of wages paid to employees in the various state retirement systems.

For example, Cameron Parish paid 11.7 percent of its total revenue toward its UAL, while Bienville Parish paid 7.4 percent.

In contrast, non-participating schools had to contribute to Social Security on behalf of their employees.

While some of the non-participating schools also offered their own retirement plans, those plans on average cost less than the normal retirement contribution and UAL payments participating schools had to make to TRSL and LSERS.

Participating schools paid 11.8 percent of their total expenditures toward retirement costs, while non-participating schools paid 4.1 percent.

State law currently provides for other ways of paying retirement-related costs for Louisiana’s public retirement systems. For example, the Louisiana Constitution requires 10 percent of all non-recurring revenues to be applied toward the UALs in TRSL and the Louisiana State Employees Retirement System.

In addition, we have a law that dedicates 1 percent of aggregate ad valorem taxes to TRSL in every parish except Orleans Parish.

Louisiana also dedicates a portion of the insurance premium tax to first responders’ retirement systems.

Aside from these sources, employer contributions currently provide the only funding for paying down the UALs in TRSL and LSERS. Various pieces of legislation have been proposed in the past that called for paying portions of the UAL directly from funds appropriated for the Minimum Foundation Program, but none of them were enacted.

The legislature is constitutionally required to fund the participating schools’ normal retirement and UAL costs for TRSL and LSERS. Legislators do this by distributing funding to school systems through the MFP, from which participating schools may pay their UAL costs.

However, the legislature could also provide funds to pay down the UAL directly, which would reduce the amount participating schools would have to pay. In addition, the legislature and the state Board of Elementary and Secondary Education could explicitly consider UAL costs in the MFP formula when distributing those funds.

As part of our work, we developed a matter for legislative consideration. We suggested the Legislature consider evaluating alternative ways of paying down the Unfunded Accrued Liability for TRSL and LSERS that could be less burdensome for participating schools.

*We hope you found this podcast informative, and that you’ll follow future episodes of LLA Reports.*

*This podcast was created as part of the audit report just discussed and is intended primarily for the use of the Louisiana Legislature. Both the full report and the podcast can be found on the LLA’s website at* [*www.lla.la.gov*](http://www.lla.la.gov)*.*

*Thank you for listening.*