

# LOUISIANA

POPULAR ANNUAL  
FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2010



## INTRODUCTION

The Popular Annual Financial Report (Popular Report) is prepared within six months after the close of each fiscal year end in accordance with Louisiana Revised Statute (R.S.) 39:80(B) with the express purpose of providing a brief, objective, and easily understood analysis of the State's financial performance for the preceding year, as well as facilitating wide dissemination of the report to the public. It presents selected basic information about the State's revenues, expenditures, financial position, budget, service efforts, and performance. The information, presented in a non-technical format, is intended to summarize and explain the basic financial condition and the operations of the State for the fiscal year covered by the Comprehensive Annual Financial Report (CAFR) for the State of Louisiana.

The financial data presented in the "Government-wide Financial Analysis," "General Fund Balance Sheet," and "Unreserved and Undesignated General Fund Balance" sections of this report use the same accounting measurements and principles as the CAFR.

The CAFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is independently audited by the Office of the Legislative Auditor of the State of Louisiana. Conversely, this report is unaudited and includes financial data (in the "Government-wide Financial Analysis" section) that departs from GAAP since it does not include the entire GAAP reporting entity (such as discrete component units of the State) and includes only selected financial data. Additionally, the data found in the "Budgetary Information" section departs from GAAP because it is prepared on a non-GAAP budgetary basis.

A copy of the CAFR can be obtained on the Office of Statewide Reporting and Accounting Policy's (OSRAP) website at [www.doa.la.gov/osrap/cafr-2.htm](http://www.doa.la.gov/osrap/cafr-2.htm).



## ECONOMIC OUTLOOK

Louisiana has done remarkably well when compared to many other states, although the national recession has negatively impacted its economy. Louisiana benefited from the recession due, in part, to the lingering effort of the extra construction activity from the GO Zone Legislation.

Major national policies are creating uncertainties and affecting private investments. For example, new environmental and safety regulations proposed after the Deepwater Horizon Oil Spill and proposed new taxes on the oil and gas extraction industry will have a major impact on Louisiana's economy. Reduced economic activity in the Gulf of Mexico and below average growth in the national economy are expected to give Louisiana a relatively flat job growth over the next two years, adding 3,100 jobs in 2011 and another 7,500 jobs in 2012.

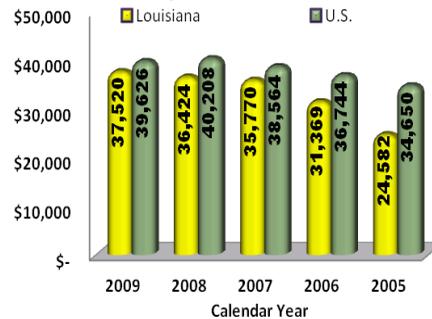
The 2010/2011 official revenue forecasts for State tax collections continue to suggest that the State will have a significant shortfall of revenues to support state programs. This shortfall of revenues will require major decisions regarding spending and taxing priorities.

On a positive note, Louisiana's unemployment rate in fiscal year 2010 was 2.6% below the U.S. unemployment rate of 9.8%. Tourism is holding its own; manufacturing is showing positives for growth; and several new business development projects that will create jobs are planned.

The following graphs illustrate comparisons between Louisiana and the U.S. In 2009, Louisiana's median household income remained below the national average although it grew by \$5,870; income per capita grew \$1,096; and its unemployment rate rose by 2.2%.

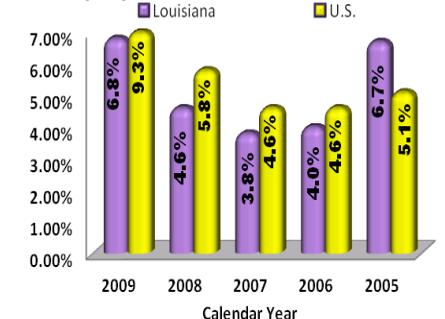
*(Excerpts taken from The Louisiana Economic Outlook: 2011-2012, by Loren C. Scott, James A. Richardson, M. Dek Terrell, and Mary Jo Neathery, published in October 2010)*

### Income Per Capita Last 5 Calendar Years



Source: 2010 CAFR & Bureau of Economic Analysis

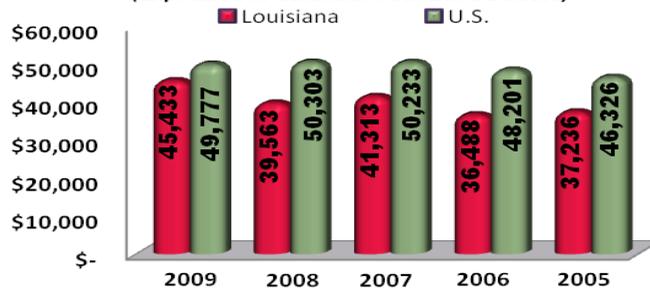
### Unemployment Rate Last 5 Calendar Years



Source: 2010 CAFR & Bureau of Labor Statistics

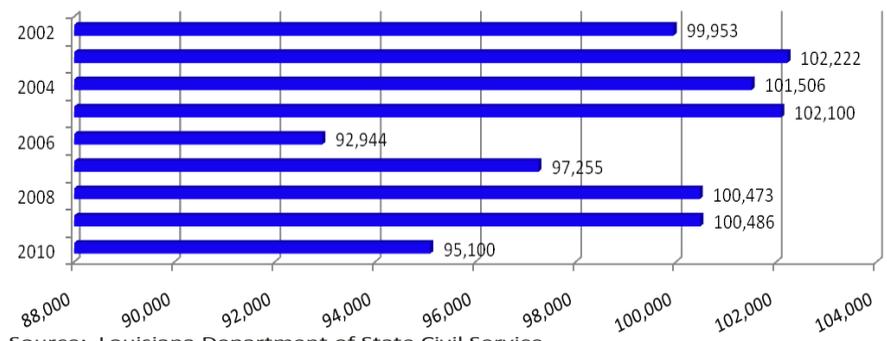
### Median Household Income Last 5 Calendar Years

(Expressed in Calendar Year 2009 Dollars)



Source: U.S. Census

### Total State Employees by Year



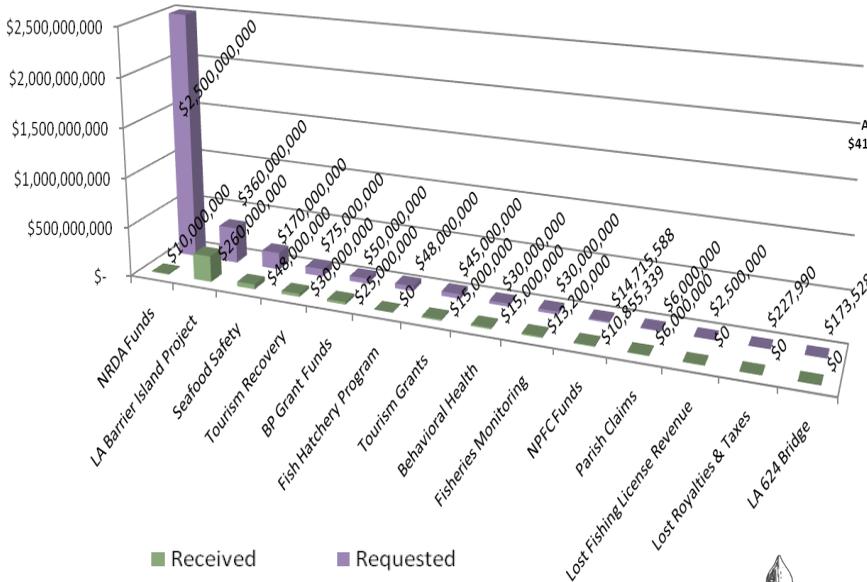
Source: Louisiana Department of State Civil Service



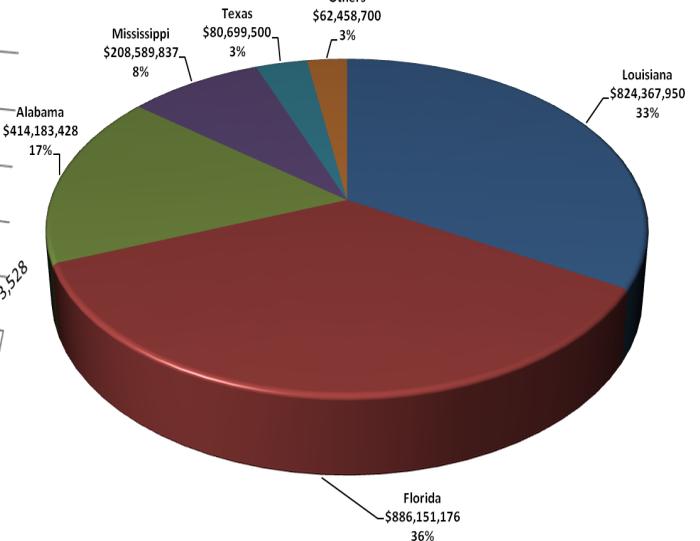
## DEEPWATER HORIZON OIL SPILL

On April 20, 2010, a blowout occurred on the *Deepwater Horizon* offshore drilling rig, causing it to explode and sink. An unprecedented release of oil into the Gulf of Mexico severely impacted the State of Louisiana. It could take years to fully assess, appreciate, and recover from the environmental, ecological and economic impacts on the public, the state and the other states on the Gulf of Mexico. As of December 2010, BP has paid or committed over \$500 million to the State. Louisiana businesses and individuals have received \$825 million dollars in claim payments from the Gulf Coast Claims Facility and BP. These charts show claims filed and paid to the states and residents (as of December 2010).

### Claims Requested and Paid in Louisiana by BP



### Claims Paid for BP by GCCF by State of Residence

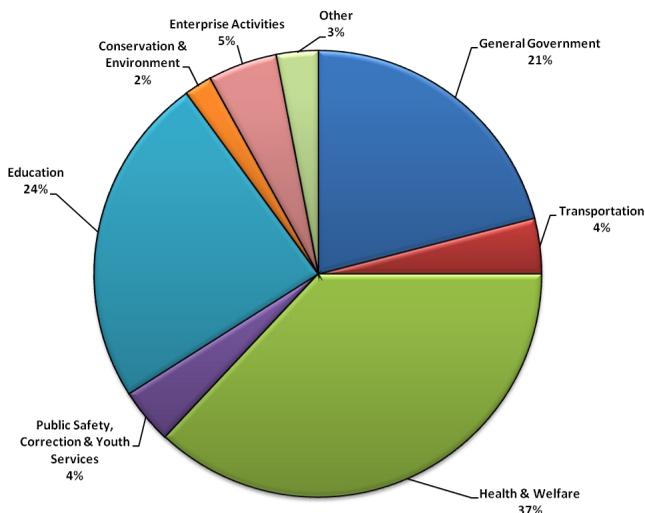


## GOVERNMENT-WIDE FINANCIAL ANALYSIS

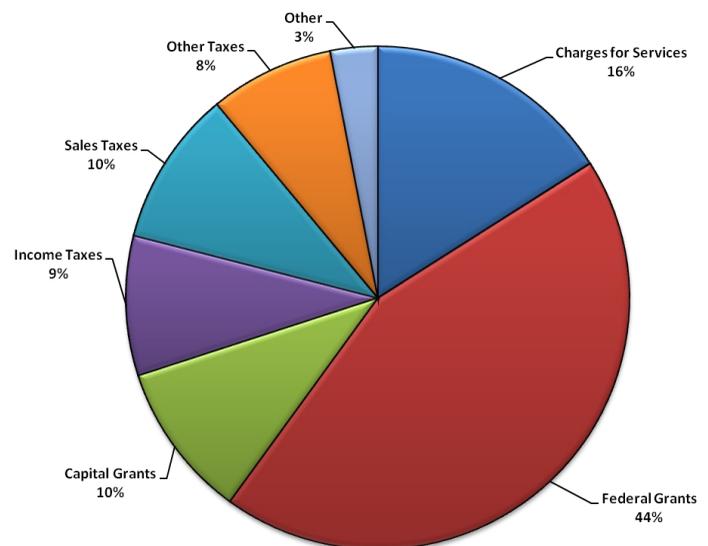
Government-wide activities provide a broad overview of the State's finances similar to private-sector accounting. The government-wide activities presented here show the combined financial position and operating results of the state, not including fiduciary funds (such as pension funds) or component units (such as colleges and universities). Component units are entities which the State has some accountability for and are required to be separately reported in the State's CAFR.

The government-wide statements of the State show total assets of \$35.8 billion (\$560 million less than last year) and total liabilities of approximately \$16.3 billion (\$954 million increase). As a result, total net assets (assets less liabilities) equaled approximately \$19.5 billion at June 30, 2010, which is a decrease of \$1.5 billion or 7 from last year.

### Government-Wide Expenses



### Government-Wide Revenues



State revenue totaled \$26.5 billion in fiscal year 2009-2010. Federal grants comprised 44% of the State's revenue and were earmarked for specific purposes. Fund balances and other state assets were also used to support government programs. The accompanying chart shows revenue by source.

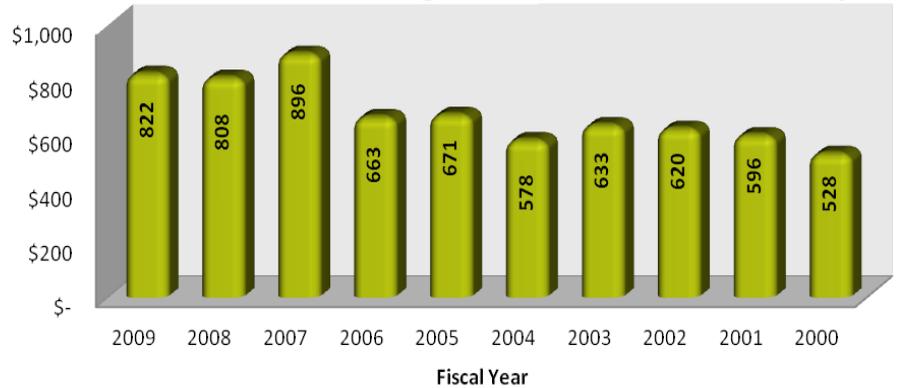
On a government-wide basis, the State spent \$28 billion. As depicted in the accompanying chart, health and welfare represent the State's largest spending category, accounting for 37% of the State's spending for the fiscal year. Education and general government closely follow the largest spending category, accounting for 24% and 21% of the State's spending, respectively.



## State Debt

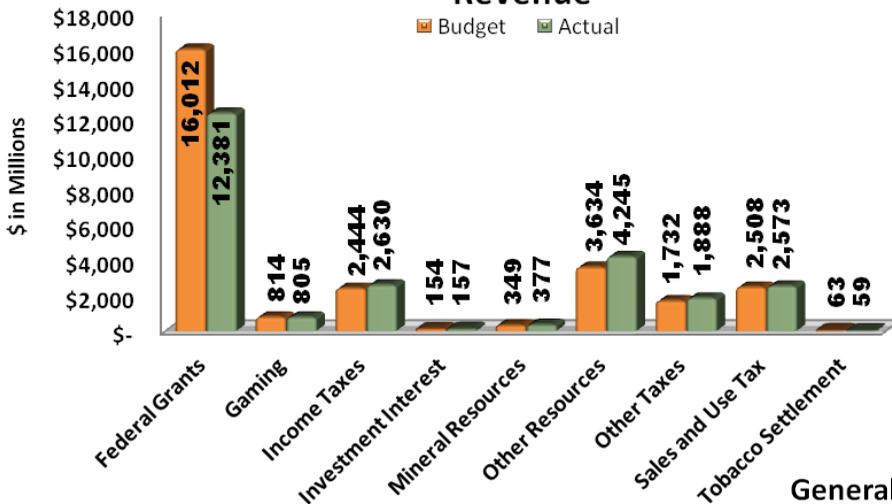
R.S. 39:1365(25) and 39:1402(D) limit the authorization and issuance, respectively, of general obligation bonds. Good debt management has produced positive results. "Debt service per capita" is the amount the State will pay per person for the general obligation debt of the State, less amounts to be received from local governments for their portion of the debt. Based on U.S. Census Bureau population statistics, the debt service per capita for fiscal year 2009 was \$822. (Fiscal year 2010 is not available due to the unavailability of the 2010 population estimate at the date of this printing.)

## Net General Obligation Debt Service Per Capita



## BUDGETARY INFORMATION

### Revenues - Budget to Actual by Source of Revenue



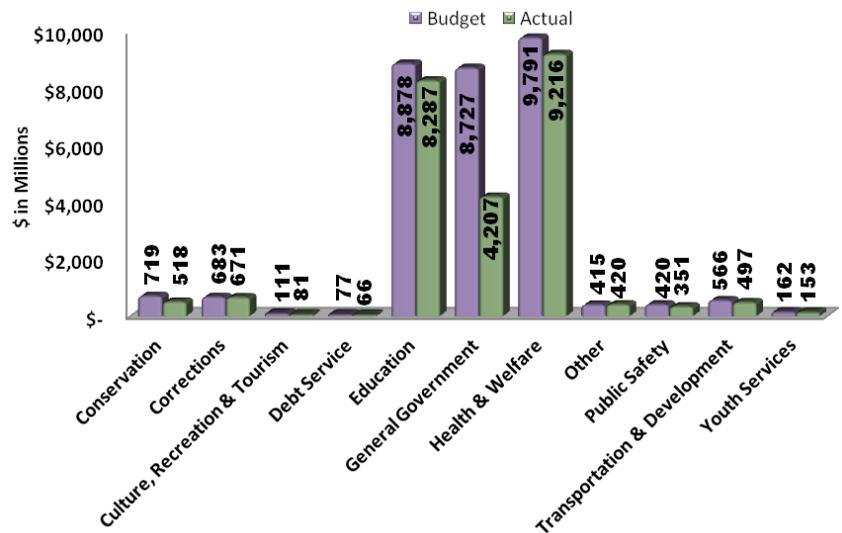
### Revenues

The State of Louisiana is legally required to prepare a balanced annual budget, and all state agencies are required to adhere to the budget during the fiscal year. The accompanying graph depicts the budgeted and actual revenues and illustrates the performance of the state in adhering to the legally adopted revenue budget. The revenues are presented by source, which is mostly comprised of federal grants and various taxes. All budgeted revenues of the General Appropriation Bill for all funds, including the General Fund, are included in the depiction.

### Expenditures

While the revenue graph depicts the revenue budget by sources of revenue for all funds, the expenditure graph depicts budgeted and actual expenditures only for the General Fund, which is the chief operating fund of the State. The accompanying graph illustrates the budgeted and actual expenditures of the General Fund by function of government. It also illustrates the State's performance in adhering to the legally adopted expenditures budget.

### General Fund Expenditures - Budget to Actual by Function



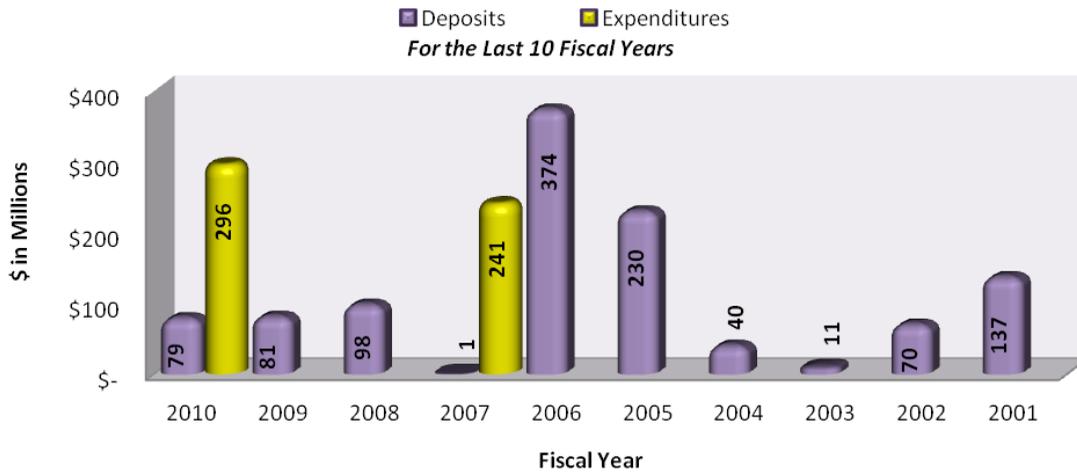


## BUDGET STABILIZATION FUND

The Budget Stabilization Fund was created in 1990 as a source of funding in times of declining revenues. The fund receives its monies from excess mineral revenues, non-recurring revenues, monies in excess of the expenditure limit, and other monies appropriated by the legislature. The monies can be spent if the official forecast for recurring revenues for the next fiscal year is less than the official forecast for recurring revenues for the current fiscal year, or if a deficit for the current fiscal year is projected due to a decrease in recurring revenues. For fiscal year 2010, \$79 million in deposits were made to the Budget Stabilization Fund. According to Louisiana R.S. 39:94, no appropriation or deposit to the fund shall be made if such appropriation or deposit would cause the balance in the fund to exceed four percent of total State revenue

receipts for the previous fiscal year. The Budget Stabilization Fund cap was \$849 million and fund expenditures were \$296 million for fiscal year 2010. Since its inception in 1990, deposits have totaled nearly \$1,181 million and expenditures totaled \$537 million, leaving a balance in the fund of \$644 million at the end of fiscal year 2010.

### Budget Stabilization Fund



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## GENERAL FUND BALANCE SHEET

While the discussion on the government-wide financial statements shows the condition of the entire State, of special interest is the balance sheet of the General Fund, which is the chief operating fund of the State. The fund's assets of \$4.7 billion and obligations of \$3.7 billion leave a total fund balance of \$1 billion. Much of this balance (the "reserved fund balance" and the "designated fund balance") is usually reserved or designated for various specific purposes, while any remaining amount (the "unreserved and undesignated fund balance") is theoretically the amount left over after all of the state's obligations have been met.

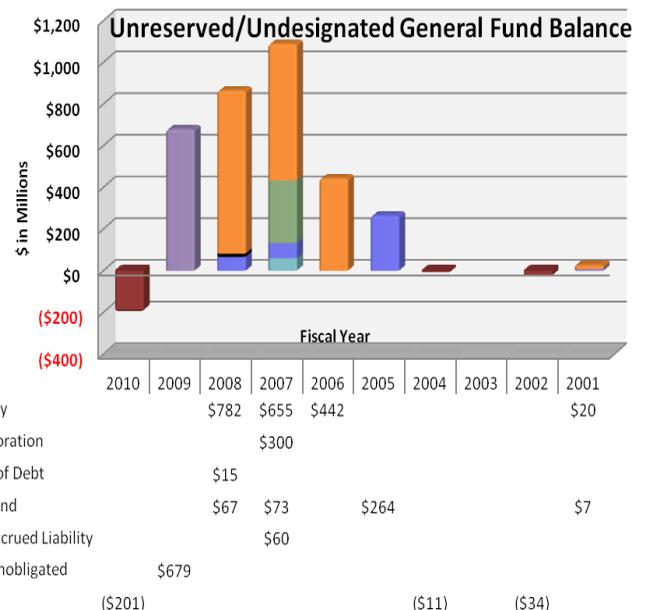
For fiscal year 2010, the total liabilities, reservations, and designations exceeded total available assets, resulting in a deficit of \$201 million, which is \$880 million less than the surplus in 2009. This deficit is due primarily to a decrease in income tax and sales tax revenues for the current fiscal year. Federal receipts were down by \$385 million.

### Unreserved/Undesignated General Fund Balance

One measure of the financial performance of the State is the comparison of the Unreserved and Undesignated Fund Balance (the surplus or deficit) of the General Fund for the last several years. This fund balance is theoretically the amount "left over" after assets are compared against liabilities.

According to the Louisiana Constitution, any surplus can only be used for either: (1) capital construction, (2) retirement or defeasance of debt, (3) providing payments against the unfunded accrued liability of the public retirement systems, (4) providing for a deposit of 25% of any money designated as non-recurring revenue into the Budget Stabilization Fund, (5) providing for deposit into the Coastal Protection and Restoration Fund, or (6) providing for new highway construction for which federal matching funds are available.

As previously mentioned, fiscal year 2010 closed with the General Fund having a deficit of \$201 million after some of the total fund balance were either reserved or designated. The following table shows the General Fund surpluses and deficits for the last 10 years and how any surpluses were spent.

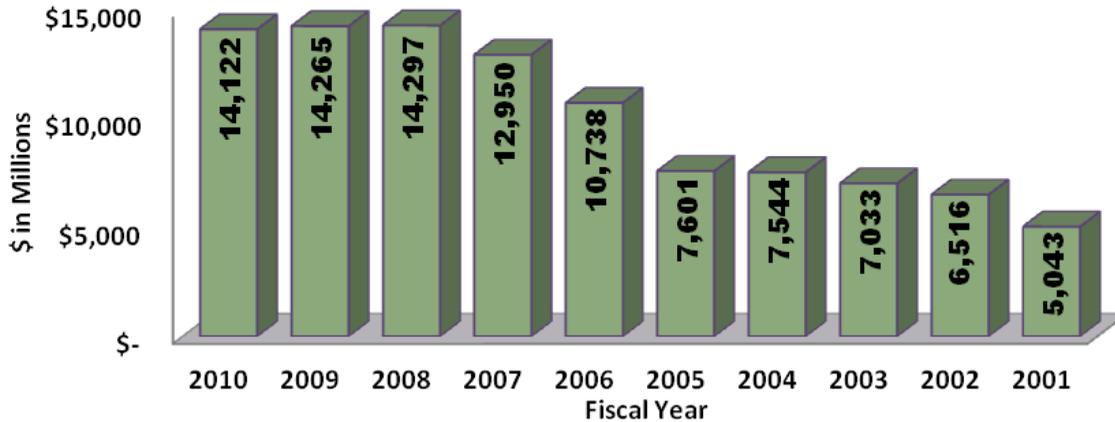




## FEDERAL REVENUE

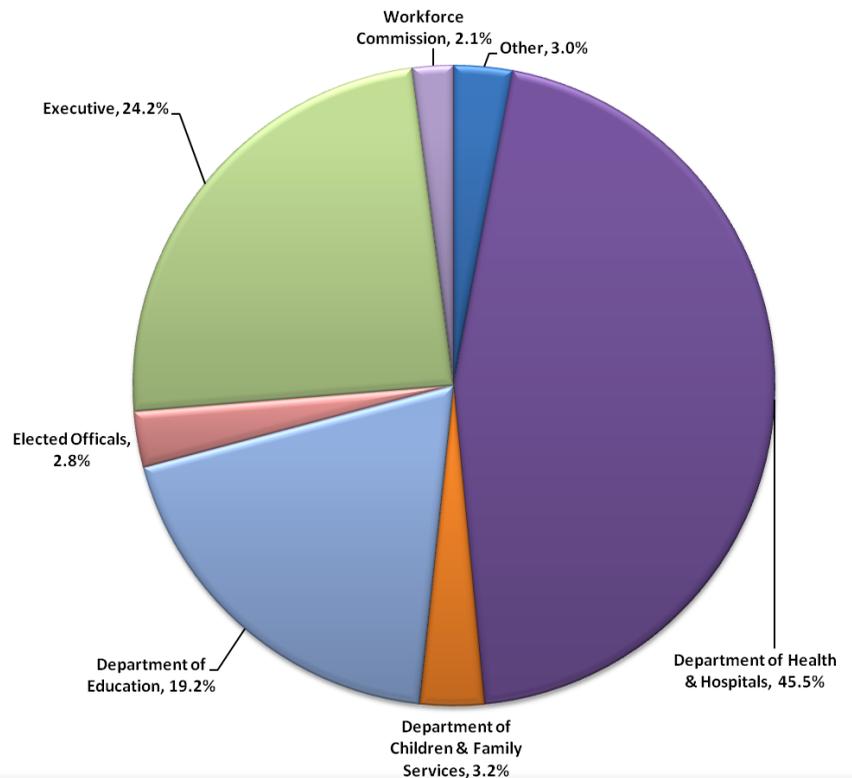
The federal grants the State received skyrocketed after Hurricanes Katrina and Rita in 2005; however, they have decreased slightly in the past two years. For fiscal year ended June 30, 2010, health and welfare programs received the bulk of the financial assistance through federal grants totaling \$8 billion, followed by general government and by education, receiving \$3.1 billion and \$1.3 billion, respectively.

### Federal Grant Revenue



## AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA)

### Louisiana ARRA Revenues by Department



To foster nationwide economic recovery, the federal government passed the American Recovery and Reinvestment Act (AARA) in 2009. As part of that stimulus package, \$1.5 billion was allocated to Louisiana in fiscal year 2010. The following graph illustrates how Louisiana's ARRA Revenues were allocated by Department.

Of Louisiana's total allocation, \$698 million was received by the Louisiana Department of Health and Hospitals, and \$371 million was received by executive departments.



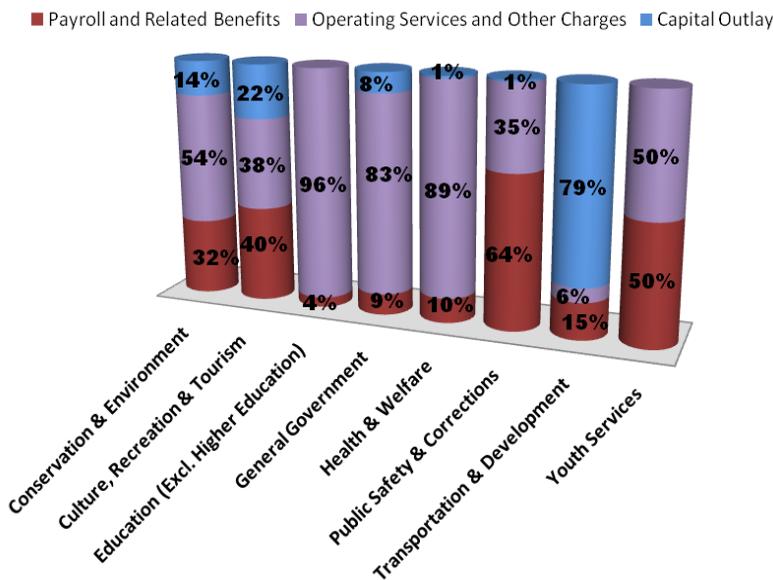
## GENERAL GOVERNMENT EXPENDITURES

Governmental activity expenditures account for \$26.5 billion of the total government-wide expenses. Of these governmental expenditures, the Department of Health and Hospitals medical vendor payments program accounts for \$6.4 billion; the Division of Administration's Office of Community Development and Governor's Office of Homeland Security and Emergency Preparedness account for \$1.5 billion and \$847 million, respectively; and the Department of Education's subgrantee assistance (federal flow-through money) and minimum foundation program account for \$1.3 billion and \$3.1 billion, respectively.

The following charts provide a pictorial of the governmental activity expenditures on a fund-level basis as reported in the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2010. These charts provide a breakdown of expenditures by function, expenditure category, and source of funding. Since the general government, conservation and environmental, health and welfare, and public safety and corrections functions include various state departments, a further breakdown for each function is provided.



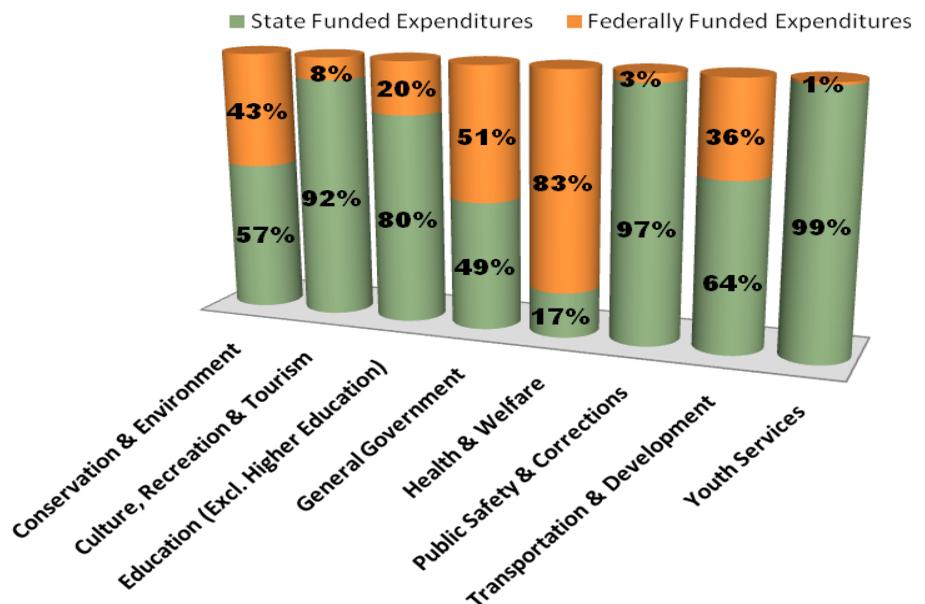
### Breakdown of Governmental Fund Expenditures by Expenditure Category



### Total Governmental Funds Expenditure Activity

Governmental fund expenditures totaled \$26.5 billion. These expenditures include \$2.9 billion for payroll and related employee costs, \$20.3 billion for costs related to operating services and other charges, and \$2.4 billion for capital outlay. The source of funding for these expenditures include \$13.3 billion in state funding and \$13.2 billion in federal funding. The Louisiana Department of Culture, Recreation, and Tourism, the Louisiana Department of Education, and the Louisiana Department of Transportation and Development comprise \$8.4 billion of these expenditures, of which \$6.4 billion is state funded and \$2.0 billion is federally funded. Debt service and intergovernmental expenditures are not depicted in these functional graphs and total more than \$1 billion.

### Percentage of State Funded Expenditures to Federally Funded Expenditures for Governmental Funds



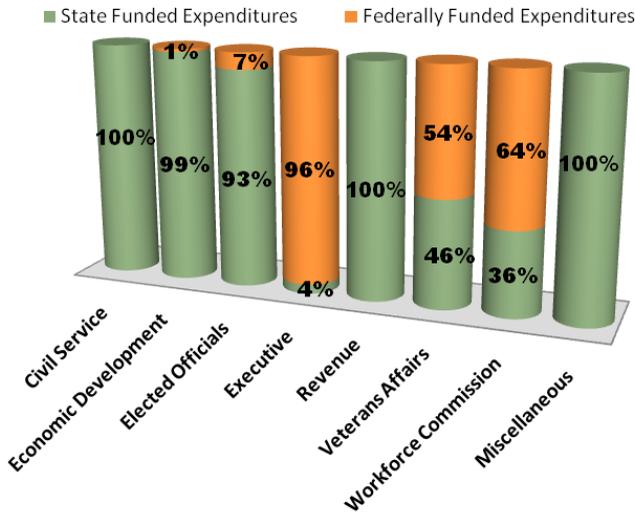


## General Government Function Expenditure Activity

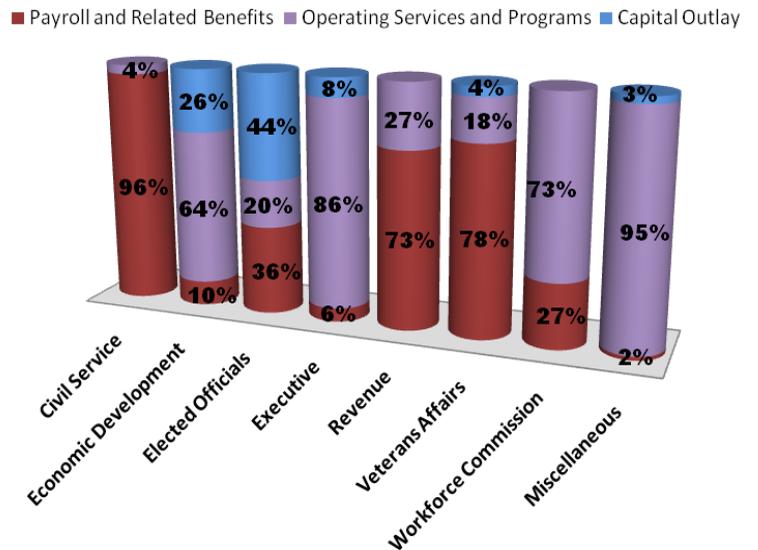
The General Government function includes the State Civil Service, the Louisiana Department of Economic Development, all elected officials, the Executive Department, the Louisiana Department of Revenue and Taxation, the Louisiana Department of Veterans Affairs, the Louisiana Workforce Commission, and other miscellaneous agencies. Total general government expenditures totaled \$5.9 billion. The source of funding for these expenditures include \$2.9 billion in state funding and \$3 billion in federal funding.

The Executive Department comprised \$2.9 billion of the total expenditures, primarily for the Division of Administration's Office of Community Development and the Governor's Office of Homeland Security and Emergency Preparedness. The source of funding for the Executive Department's expenditures include \$114 million in state funding and \$2.8 billion in federal funding.

### Percentage of State Funded Expenditures to Federally Funded Expenditures for the General Government Agencies



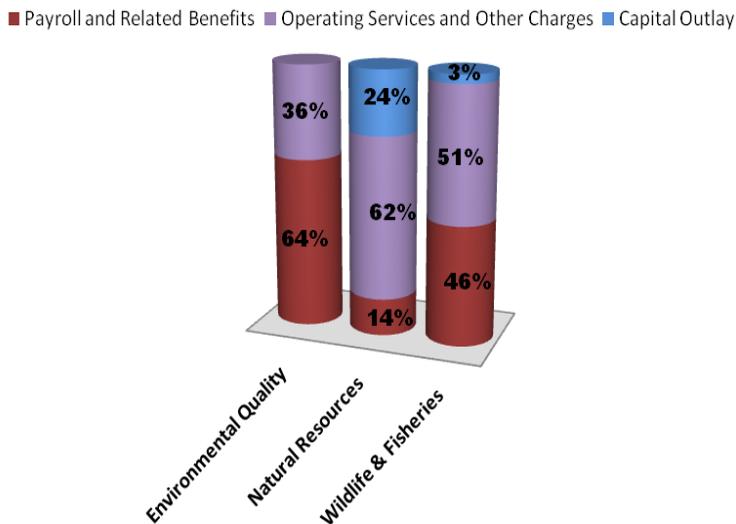
### Breakdown of General Government Expenditures by Expenditure Category



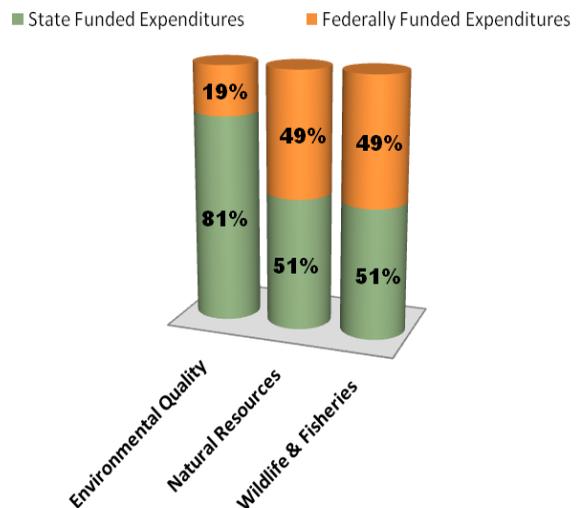
## Conservation and Environmental Function Expenditure Activity

The Conservation and Environmental function includes the Louisiana Department of Environmental Quality, the Louisiana Department of Natural Resources, and the Louisiana Department of Wildlife and Fisheries. Conservation and environmental expenditures totaled \$542 million. The source of funding for these expenditures include \$307 million in state funding and \$235 million in federal funding.

### Breakdown of Conservation & Environmental Expenditures by Expenditure Category



### Percentage of State Funded Expenditures to Federally Funded Expenditures for the Conservation & Environmental Function

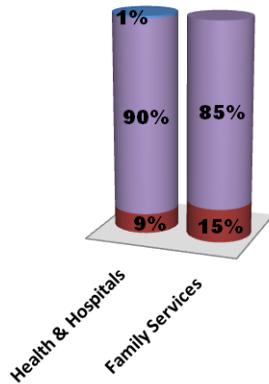




## Health and Welfare Function Expenditure Activity

### Breakdown of Health & Welfare Expenditures by Category

■ Payroll and Related Benefits ■ Operating Services and Other Charges ■ Capital Outlay

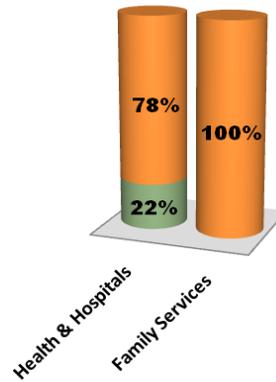


The Health and Welfare function includes the Louisiana Department of Health and Hospitals and the Louisiana Department of Children and Family Services. Health and welfare expenditures totaled \$9.5 billion. The source of funding for these expenditures include \$1.6 billion in state funding and \$7.9 billion in federal funding.

The Louisiana Department of Health and Hospitals comprised \$7.5 billion of these expenditures; and the primary source of funding was federal monies, totaling \$5.8 billion.

### Percentage of State Funded Expenditures to Federally Funded Expenditures for the Health & Welfare Function

■ State Funded Expenditures ■ Federally Funded Expenditures



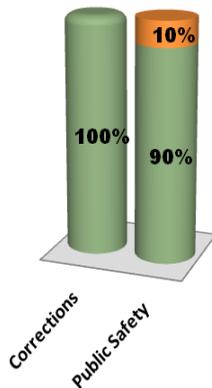
### Public Safety & Corrections Function Expenditure Activity

The Public Safety and Corrections function includes the Louisiana Department of Corrections and the Louisiana Department of Public Safety. Total expenditures for public safety and corrections totaled \$916 million. The source of funding for these expenditures include \$885 million in state funding, with \$31 million funded with federal monies.

The Louisiana Department of Corrections comprised the bulk of these expenditures, totaling \$619 million.

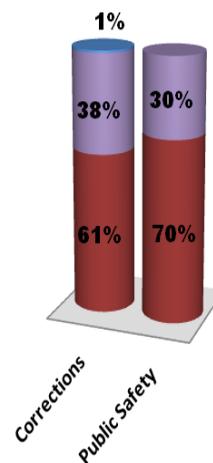
### Percentage of State Funded Expenditures to Federally Funded Expenditures for the Public Safety & Corrections Function

■ State Funded Expenditures ■ Federally Funded Expenditures



### Public Safety & Corrections Expenditures by Expenditure Category

■ Payroll and Related Benefits ■ Operating Services and Other Charges ■ Capital Outlay

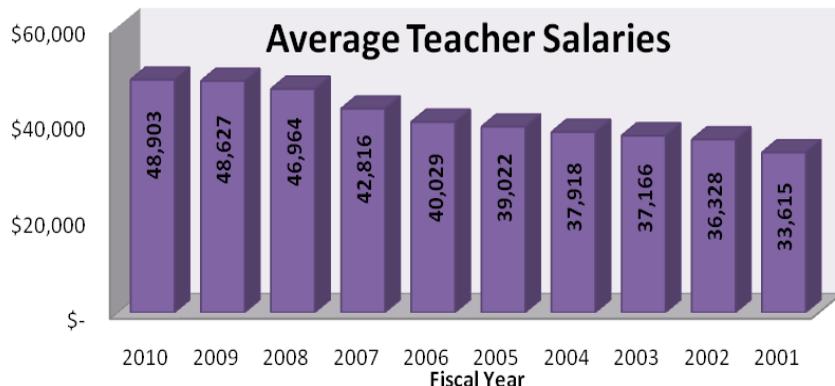




## EDUCATION

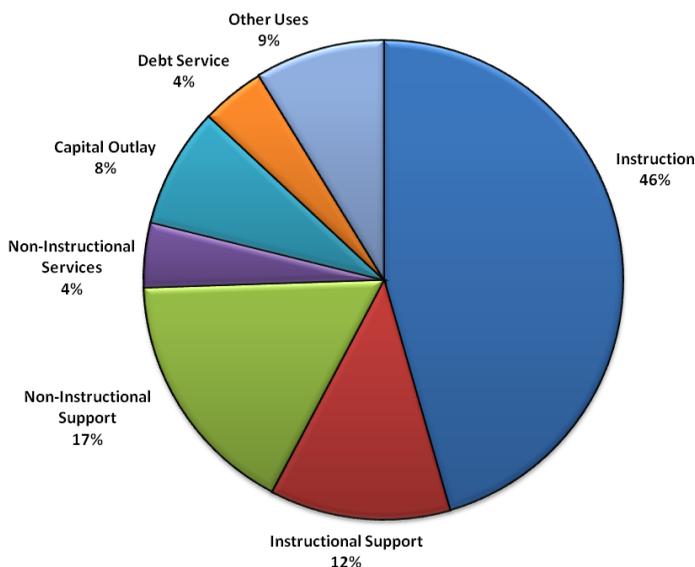
### Improving Teacher Quality

As the accompanying chart depicts, teacher salaries for all public schools and charter/lab schools have increased nearly \$15,288 (45%) for the ten year period from fiscal year 2001 through fiscal year 2010.



### Local Education Agencies' Expenditures by Function

For the School Year 2008-2009



### Local Education Agencies' (LEA's) Expenditures by Function

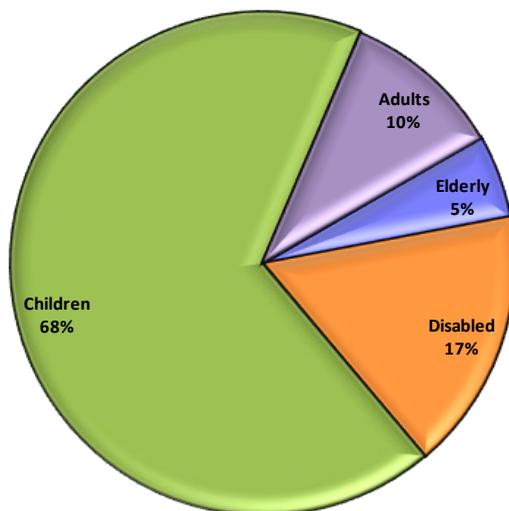
An analysis of other educational expenditure information for the school year ended May 2009 (the latest information available) is detailed in this chart. Other educational expenditures include instruction, instructional support (pupil support programs, school administration, and instructional staff services), non-instructional support (student transportation, maintenance, business services, etc.), non-instructional services (food operations, etc.), capital outlay, debt service, and other uses of funds.



## HEALTH AND WELFARE

Louisiana is dedicated to providing its citizens with the best social welfare and economic security available. Many programs and services have been established to aid individuals in need of beneficial resources from the health and welfare system. Louisiana's health care system, which incurs much of the State's expenses, has made significant improvements in the provisions of health and welfare services to its citizens. The Medicaid program, which is one of the largest health insurance programs in the State, provided medical services for slightly over one million Louisiana citizens during the fiscal year ended June 30, 2010. Services were provided to 54,080 elderly citizens, 169,484 disabled citizens, 103,654 adult citizens, and 680,049 Louisiana children. The overall enrollment increased by 44,719 individuals.

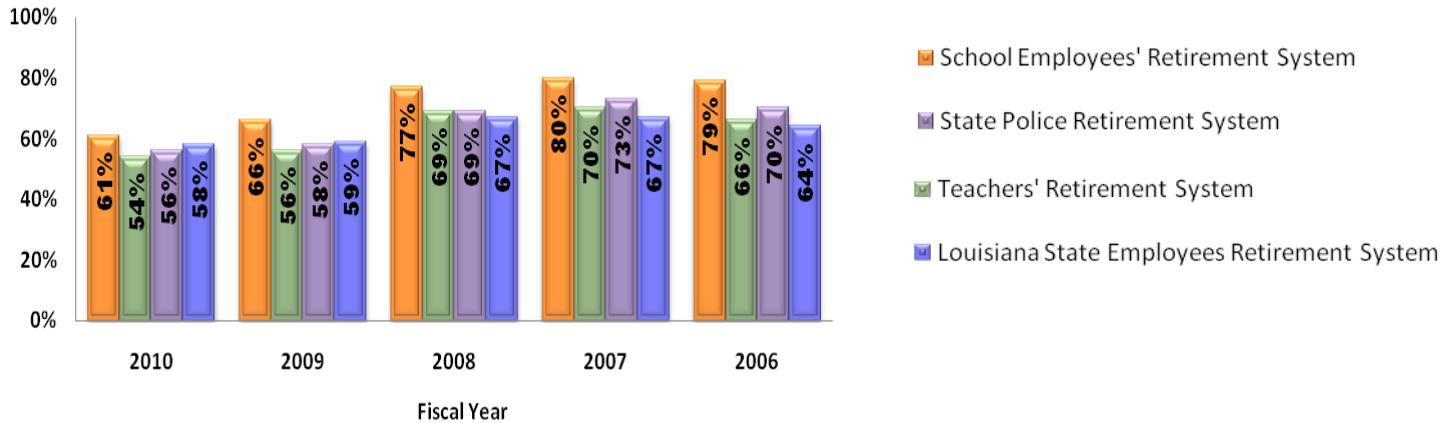
### Louisiana Medicaid Enrollment By Category





## RETIREMENT SYSTEM FUNDING

### Funded Percentage of the Unfunded Accrued Liability



A retirement system's "Unfunded Accrued Liability" (UAL) is the amount expected to be paid in future retiree benefits over and above current resources, while the "Funded Percentage" is the percentage of this liability currently funded. The State's four retirement systems have unfunded accrued liabilities. All four systems' funded percentages decreased during this fiscal year. These decreases are mainly due to unfavorable investment experiences on an actuarial basis and losses on investments held by the systems. The accompanying graphs show the trends of the funded percentages of the retirement systems over the past five years.

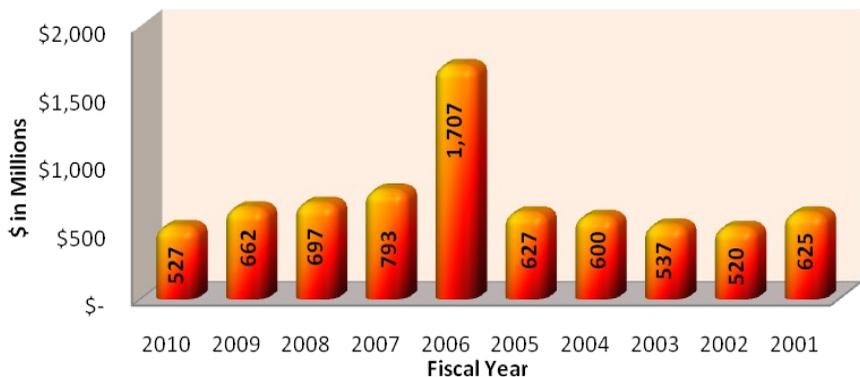


## TRANSPORTATION

Louisiana maintains 13,166 bridges and 61,314 miles of roads and streets. Construction of roads and bridges continues to occur throughout the State through Louisiana's Transportation Infrastructure Model for Economic Development (TIMED) program. This program was established to expand and improve transportation infrastructure across Louisiana. To date, six (38%) of the sixteen major transportation projects have been completed. The TIMED program includes widening 536 miles of two-lane highways to four lanes, new construction or improvements to three major bridge projects, and improvements to both the Port of New Orleans and Louis Armstrong International Airport. Total infrastructure expenditures for fiscal year 2010 totaled approximately \$1.4 billion.

For fiscal year 2010, the initiation of new projects totaled \$527 million in lettings. The accompanying chart depicts the total dollars approved and awarded to contractors for highway projects for the last ten fiscal years.

### Highway Projects Approved and Awarded to Contractors



## WEBSITE ADDRESSES

State of Louisiana  
Governor's Office  
Division of Administration  
Office of Statewide Reporting and Accounting Policy

[www.louisiana.gov](http://www.louisiana.gov)  
[www.gov.state.la.us](http://www.gov.state.la.us)  
[www.doa.louisiana.gov/doa](http://www.doa.louisiana.gov/doa)  
[www.doa.la.gov/osrap](http://www.doa.la.gov/osrap)

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