



LOUISIANA



Popular Annual Financial Report For the Fiscal Year Ended June 30, 2011



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 Statutes (LRS) 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" and "General Fund Balance Sheet" 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.

ECONOMIC OUTLOOK

Louisiana's recovery from the "Great Recession" continues on a positive track. As in the past, Louisiana's lesser dependency on durable goods production protected the state from a serious decline. The state was protected further by the still lingering benefits of extra construction activity due to the GO Zone legislation.

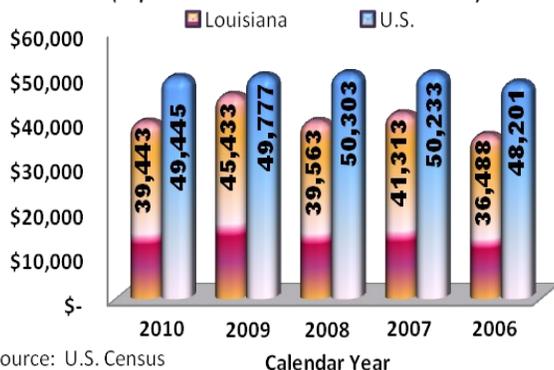
Although the national economy is experiencing a lethargic recovery, Louisiana should enjoy nice prospects in most areas of growth. For example, Louisiana's economic forecast greatly improves with the potential development of the Tuscaloosa Marine Shale. Exploration companies expect to harvest an estimated 7 billion barrels of oil from shale deposits. In addition, over \$24.5 billion in future construction projects are planned in 2012-2013 in the New Orleans, Lake Charles, and Baton Rouge metropolitan statistical areas.

On a positive note, Louisiana's unemployment rate in fiscal year 2011 was 1.47% below the U.S. unemployment rate of 9.3%. Louisiana is expected to add 14,200 jobs in 2012 and another 14,800 jobs in 2013. At the end of 2013, Louisiana will be only 3,600 jobs below its previous peak reached in 2008.

The following tables illustrate comparisons between Louisiana and the U.S. In 2010, Louisiana's median household income remained below the national average and declined by \$5,990. Median income per capita also remained below the national average, and declined by \$499. The unemployment rate rose 0.7% but remained lower than the national rate.

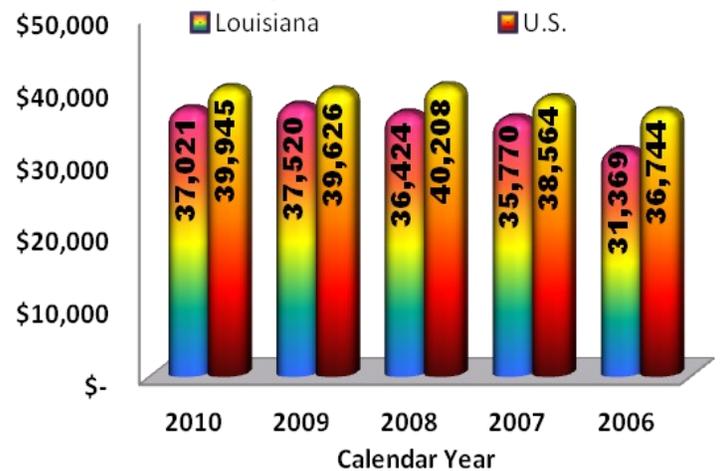
Median Household Income Last 5 Calendar Years

(Expressed in Calendar Year 2009 Dollars)



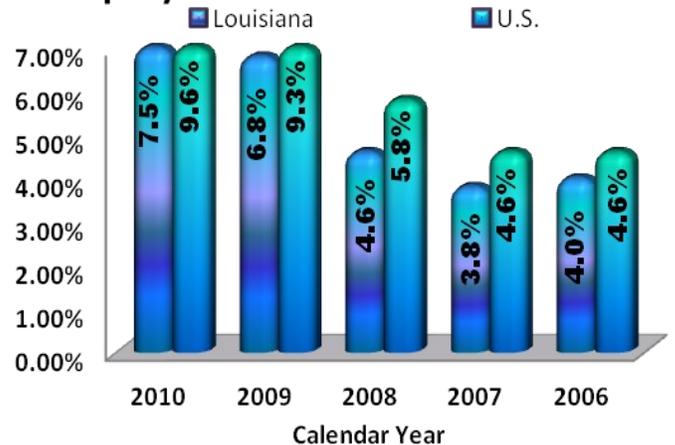
Source: U.S. Census

Income Per Capita Last 5 Calendar Years



Source: 2011 CAFR & Bureau of Economic Analysis

Unemployment Rate Last 5 Calendar Years



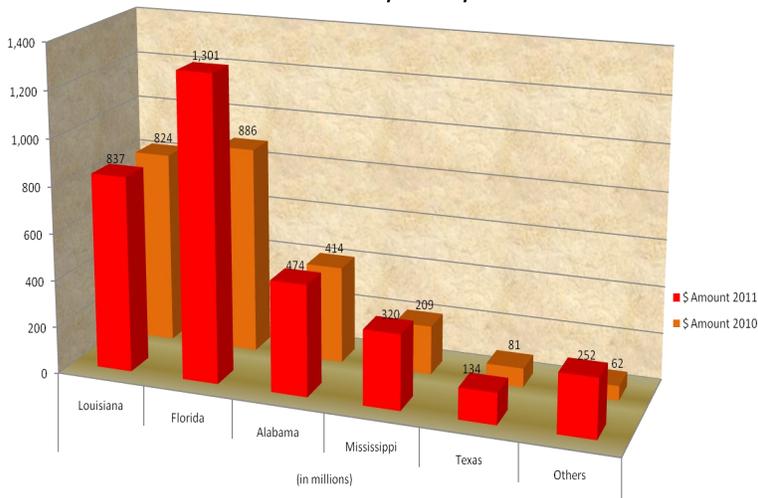
Source: 2011 CAFR & Bureau of Labor Statistics



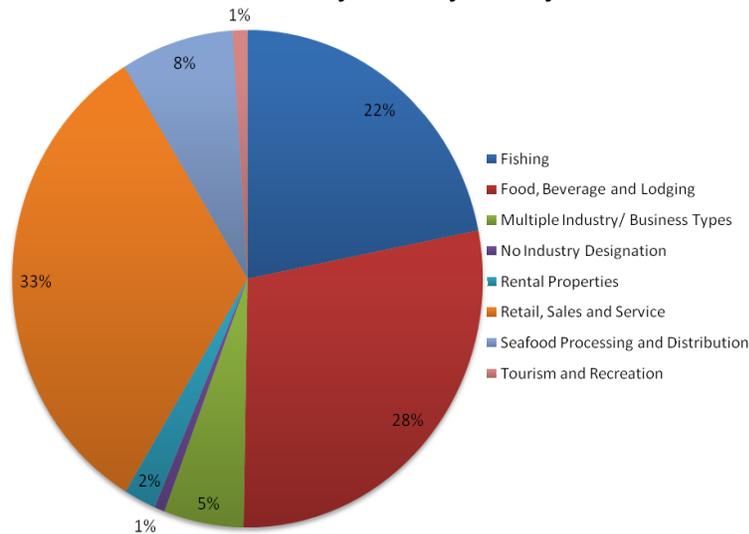
DEEPWATER HORIZON OIL SPILL

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. To date, Louisiana businesses and individuals have received \$1.6 billion dollars in claim payments from the Gulf Coast Claims Facility and BP.

Claims Paid for BP by GCCF by State of Residence



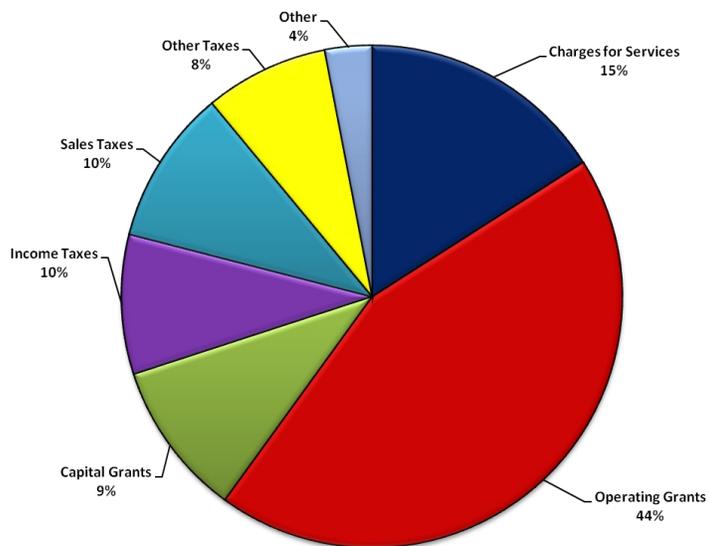
Individual & Business Claims by Industry Paid by BP



GOVERNMENT-WIDE FINANCIAL ANALYSIS

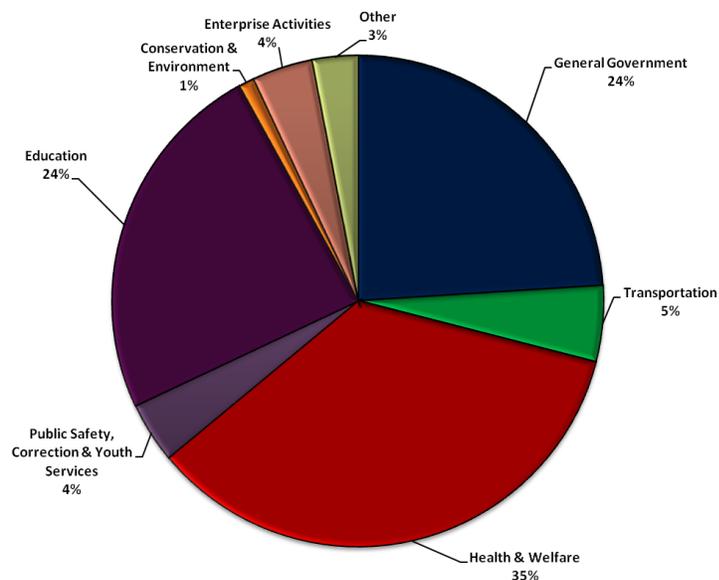
Government-wide activities provide a broad overview of the State's finances similar to private-sector accounting. The government-wide activities presented here reflect the combined financial position and operating results of the state, excluding fiduciary funds (such as pension funds) and discrete component units (such as colleges and universities). Discrete component units are entities for which the state has some accountability and are required to be separately reported in the State's CAFR.

The government-wide statements of the State reflect total assets of \$33 billion (\$2.7 billion less than last year) and total liabilities of approximately \$17.5 billion (\$1.3 billion increase). As a result, total net assets (assets less liabilities) equaled approximately \$15.6 billion at June 30, 2011, which is a decrease of \$4 billion or 20.3% from last year.



GOVERNMENT-WIDE REVENUES

State revenue totaled \$27 billion in fiscal year 2010-2011. These revenues and other state assets were used to support government programs. The accompanying chart shows revenue by source. Federal grants (capital and operating) comprised 53% of the state's revenue and were earmarked for specific purposes.



GOVERNMENT-WIDE EXPENSES

On a government-wide basis, the State spent \$27.2 billion. As depicted in the accompanying chart, health and welfare represents the State's largest spending category, accounting for 35% of the State's spending for the fiscal year. Education and general government closely follow, accounting for 24% and 24% of the State's spending, respectively.

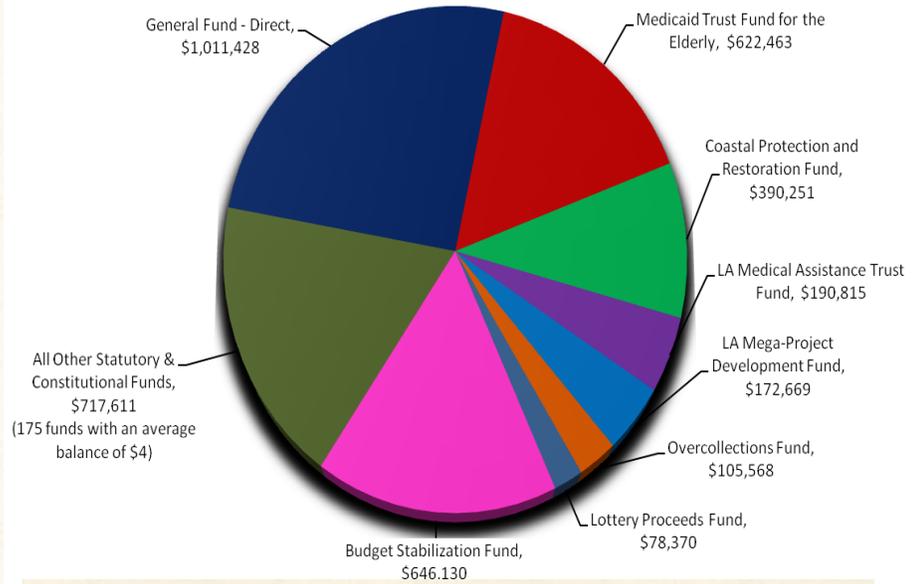
GENERAL FUND BALANCE SHEET



The balance sheet of the General Fund, the chief operating fund of the State, is generally of special interest to the public and legislators.

However, readers must be aware that a significant change has been made to the General Fund for fiscal year ended June 30, 2011. A new accounting standard, GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, changes the names and meanings of fund balance categories and sets new criteria for governmental accounts to be reported in the various types of CAFR governmental funds. Historically, funds created by legislative act or in the Constitution (commonly referred to as "statutory dedicated funds") were reported as Special Revenue Funds in Louisiana's CAFR. Because of the GASB's new definition of a Special Revenue Fund, 248 statutory dedicated funds were moved to the State General Fund for CAFR reporting purposes. Regardless of the CAFR presentation as required by generally accepted accounting principles, these funds are still maintained as individual self-balancing accounts in the State Treasury as required by state statute.

The General Fund Balance, with Statutory and Constitutional Funds Included (\$ in thousands)



At June 30, 2011, the General Fund has assets of \$8.2 billion and liabilities of \$4.3 billion, leaving a total fund balance of \$3.9 billion. Of this fund balance, \$2.9 billion is comprised of statutory dedicated funds and \$1.0 billion of General Fund (Direct), and is depicted in the chart above.

GASB Statement 54 also revises fund balance categories to focus on the extent to which the government is bound to honor constraints on the specific purposes for which fund sources can be spent. Under GASB Statement 54, the five fund categories of the General Fund are depicted in the chart and are as follows:

Nonspendable Fund Balance, \$76 million, accounts for amounts that will never convert to cash, such as inventories of supplies.

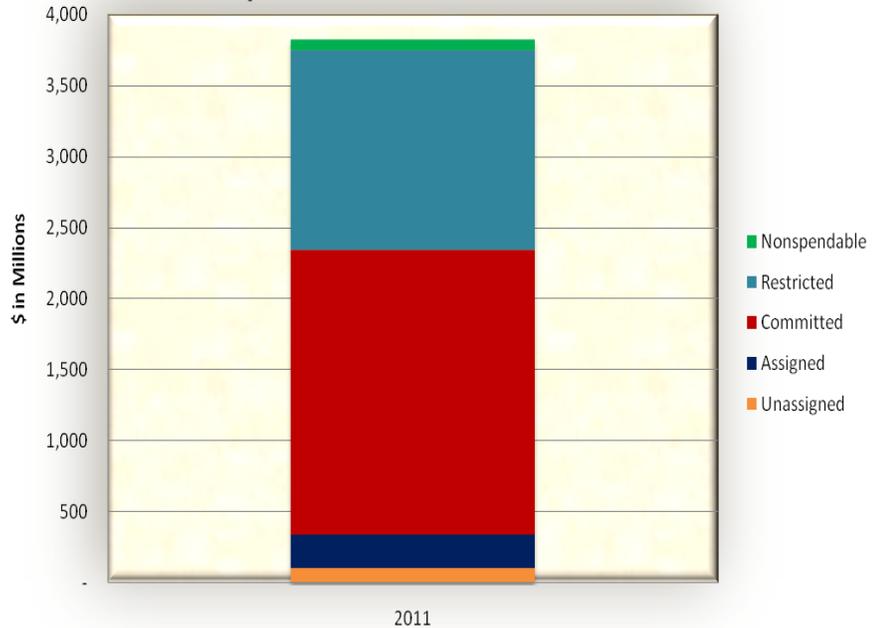
Restricted Fund Balance, \$1.4 billion, accounts for the portion of fund balance with externally imposed constraints from creditors or Constitutional restrictions.

Committed Fund Balance, \$2.0 billion, accounts for resources constrained by limitations imposed by the Legislature. These are usually statutorily dedicated funds whose resources are to be used for specific purposes as defined in legislative acts.

Assigned Fund Balance, \$234 million, accounts for amounts intended to be used for specific purposes and are usually created by Joint Legislative Committee on the Budget approvals of year-end encumbrance roll-overs into the subsequent fiscal year.

Unassigned Fund Balance, \$112 million, is any excess that has not been classified or committed to one of the categories above.

Components of General Fund Balance



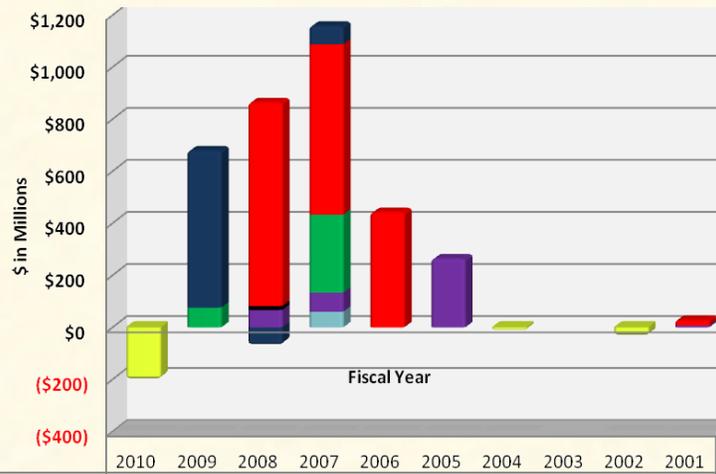
General Fund Balance Sheet

One measure of the financial performance of the State is the comparison of the fund balance (the surplus or deficit) of the General Fund for the fiscal years 2001-2010. This fund balance comparison is presented prior to the implementation of GASB Statement 54. The accompanying table displays the **Unreserved and Undesignated Fund Balance** from 2001-2010 and theoretically shows the amount "left over" after assets are netted with liabilities. Additionally it shows how any surpluses were recognized by the Revenue Estimating Committee.

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.

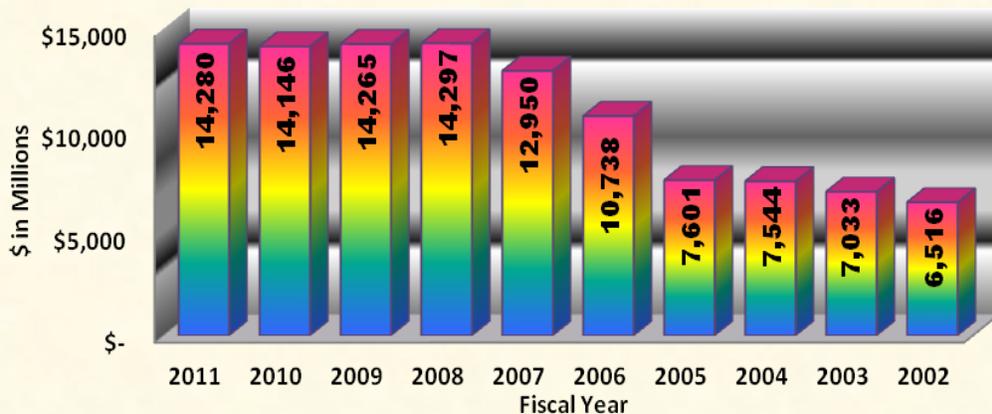
With the implementation of GASB Statement 54 in fiscal year 2011 however, the unreserved/undesignated fund balance has been replaced with unassigned fund balance, which includes leftover unobligated fund balances of the general fund direct and statutory dedicated funds. The unassigned fund balance is shown in the previous chart.

Unreserved/Undesignated General Fund Balance



	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
■ Unrecognized (REC)		\$603	(\$70)	\$70						
■ Capital Outlay			\$782	\$655	\$442					\$20
■ Coastal Restoration		\$76		\$300						
■ Defeasance of Debt			\$15							
■ Rainy Day Fund			\$67	\$73		\$264				\$7
■ Unfunded Accrued Liability				\$60						
■ Deficit	(\$201)						(\$11)		(\$34)	

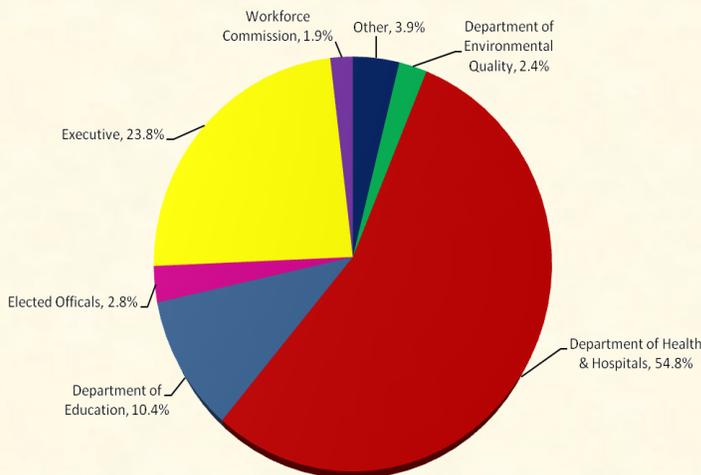
FEDERAL GRANT REVENUE



The federal government awards financial assistance to the state in the form of Federal Grants. These operating federal grants have increased over the years since hurricanes Katrina and Rita disasters in 2005. For fiscal year ending June 30, 2011, health and welfare programs received the bulk of the financial assistance through federal grants totaling \$6.2 billion, followed by general government and third by education, receiving \$5.1 billion and \$1.4 billion, respectively.

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 (ARRA) in 2009. As part of that stimulus package, \$1.5 billion was allocated to Louisiana in fiscal year 2011. The following graph illustrates how Louisiana's AARA Revenues were allocated by department.

Of Louisiana's total allocation, \$845 million was received by the Department of Health and Hospitals, \$367 million received by executive departments and \$161 million received by the Department of Education.

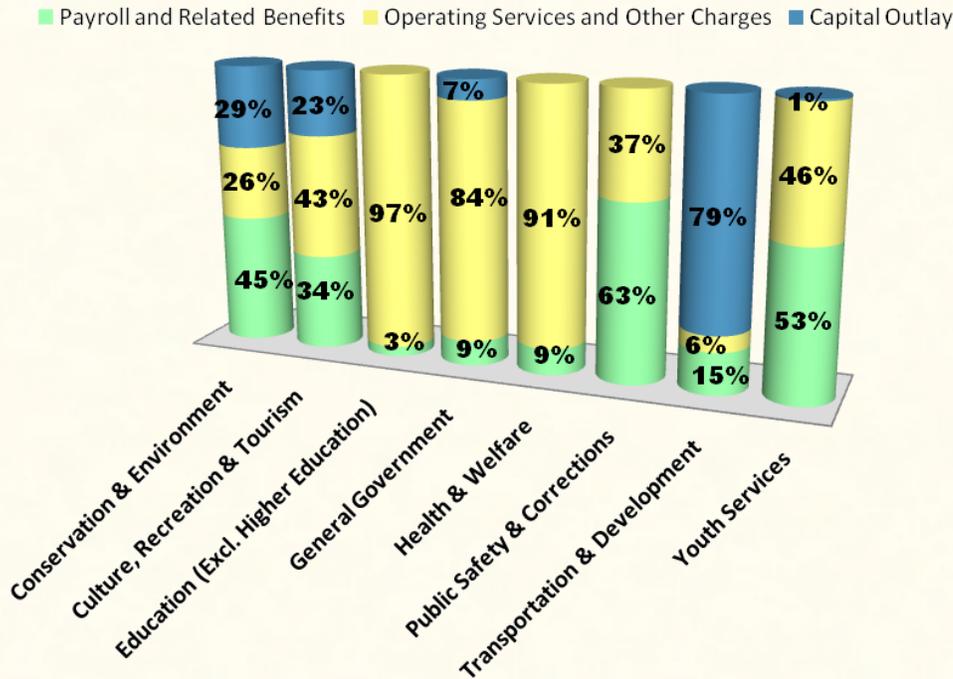
GENERAL GOVERNMENT EXPENDITURES



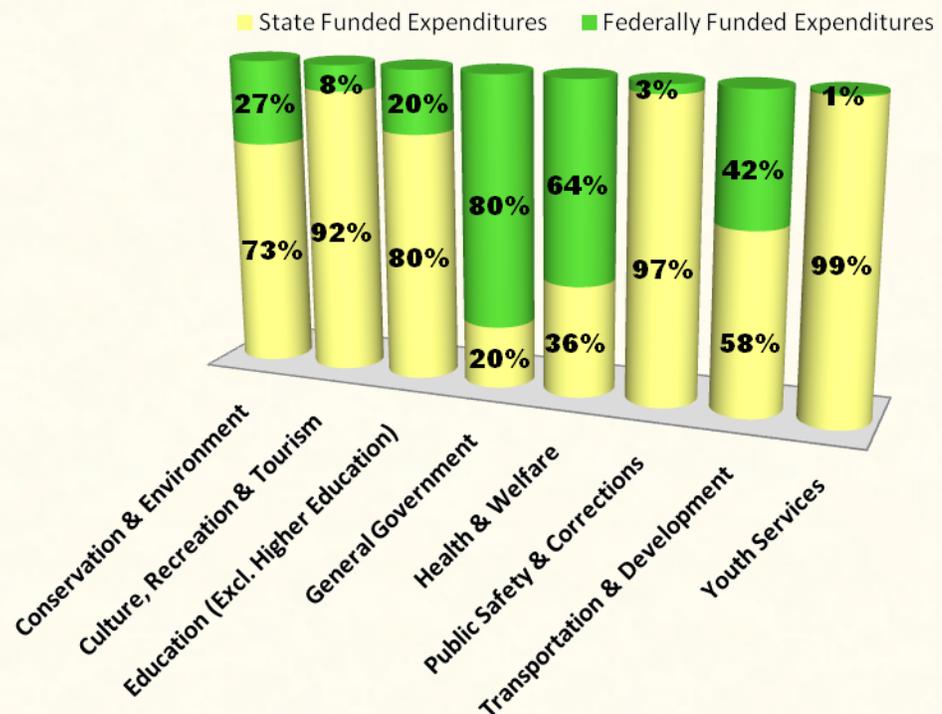
Governmental fund expenditures totaled \$27.2 billion. These expenditures include \$2.8 billion for payroll and related employee costs, \$21.8 billion for costs related to operating services and other charges, and \$2.5 billion for capital outlay. The sources of funding for these expenditures include \$13.7 billion in state funding and \$13.5 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 \$8.5

billion of these expenditures, of which \$6.3 billion is state funded and \$2.2 billion is federally funded. Debt service and intergovernmental expenditures are not depicted in these functional graphs and total more than \$1.1 billion.

Breakdown of Governmental Fund Expenditures by Expenditure Category



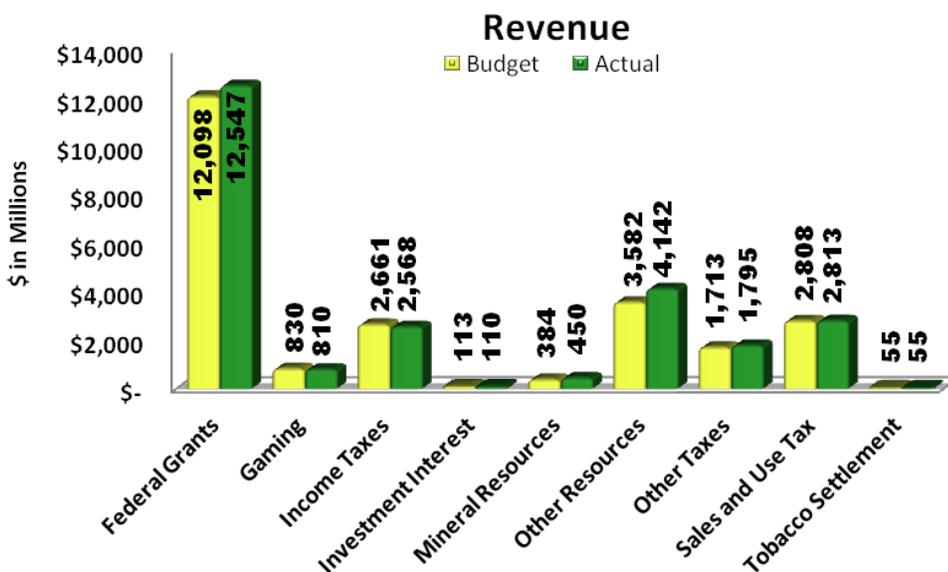
Percentage of State Funded Expenditures to Federally Funded Expenditures for Governmental Funds



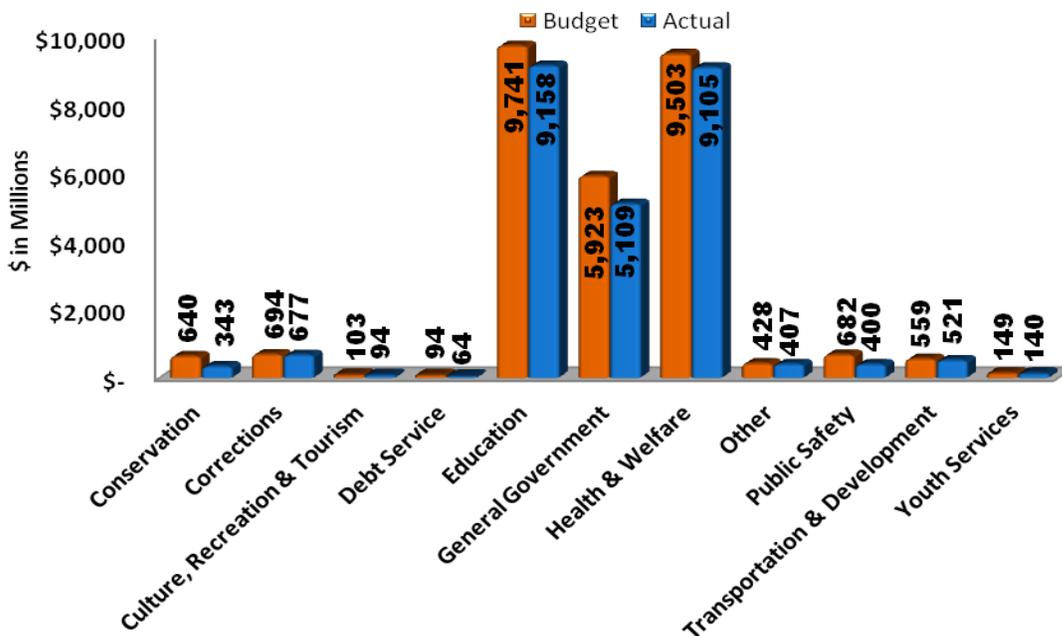
Revenues:

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 this depiction.

Revenues - Budget to Actual by Source of Revenue



General Fund Expenditures - Budget to Actual by Function



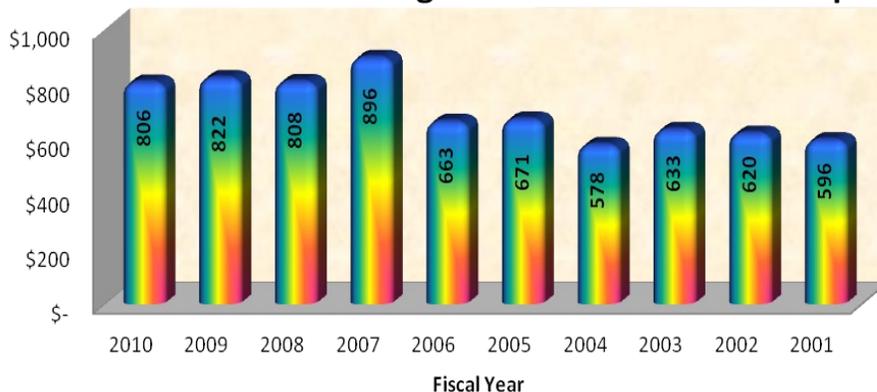
Expenditures:

While the revenue graph depicts the revenue budget by sources of revenue for all funds, the expenditure graph depicts budgeted and actual expenditures 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.

STATE DEBT

Louisiana Revised Statutes (LRS) 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. Based on U.S. Census Bureau population statistics, the debt service per capita for fiscal year 2010 was \$806. (Fiscal year 2011 is not available due to the unavailability of the 2011 population estimate at the date of this printing.)

Net General Obligation Debt Service Per Capita

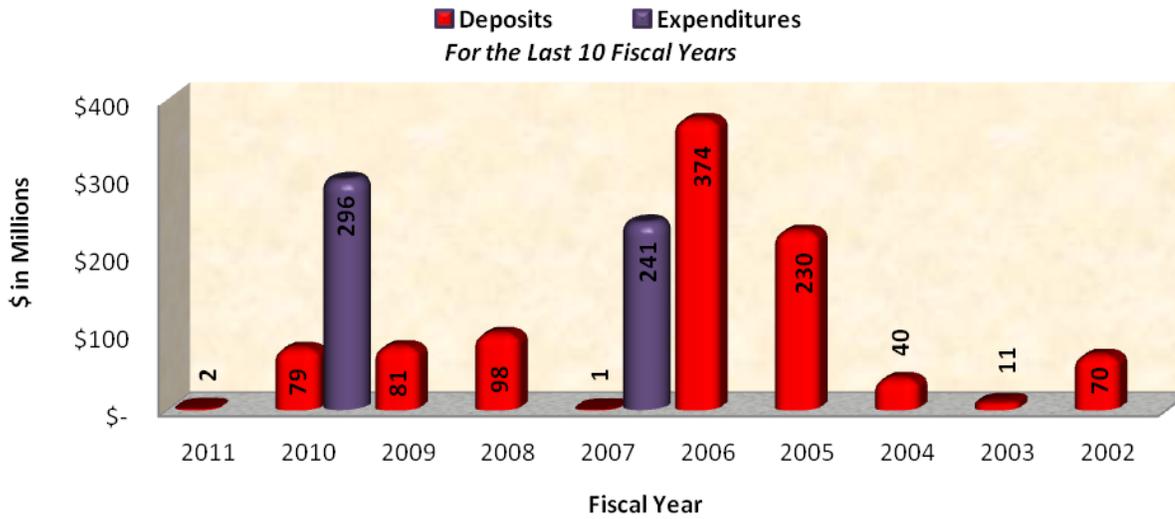




BUDGET STABILIZATION FUND

The Budget Stabilization Fund was created in 1990 for use 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 of 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 2011, \$2 million in deposits were made to the Budget Stabilization Fund. According to Louisiana Revised Statute (LRS) 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

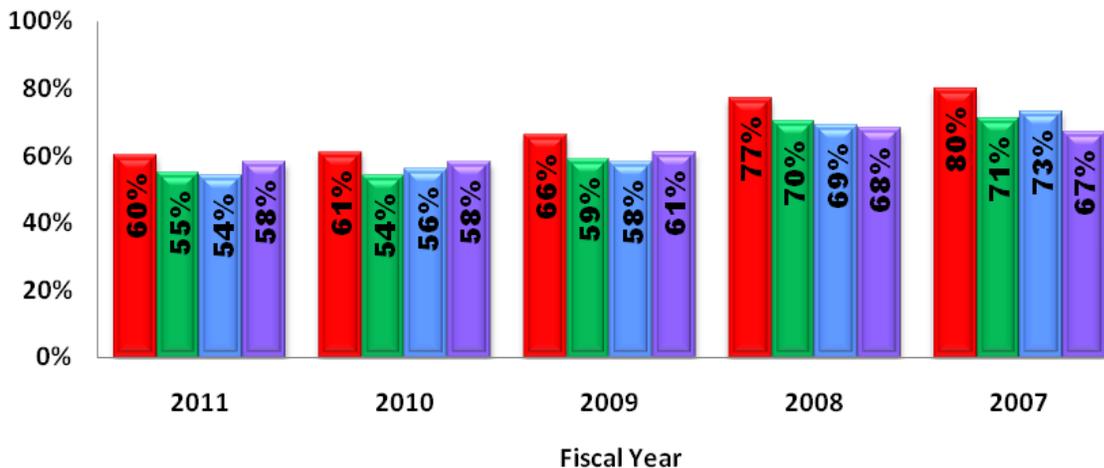
Budget Stabilization Fund



receipts for the previous fiscal year. The Budget Stabilization Fund cap was \$806 million for fiscal year 2011. There were no expenditures from the fund for fiscal year 2011. The fund balance of the Budget Stabilization Fund was \$646 million at the end of fiscal year 2011.

RETIREMENT SYSTEM FUNDING

Funded Percentage of the Unfunded Accrued Liability



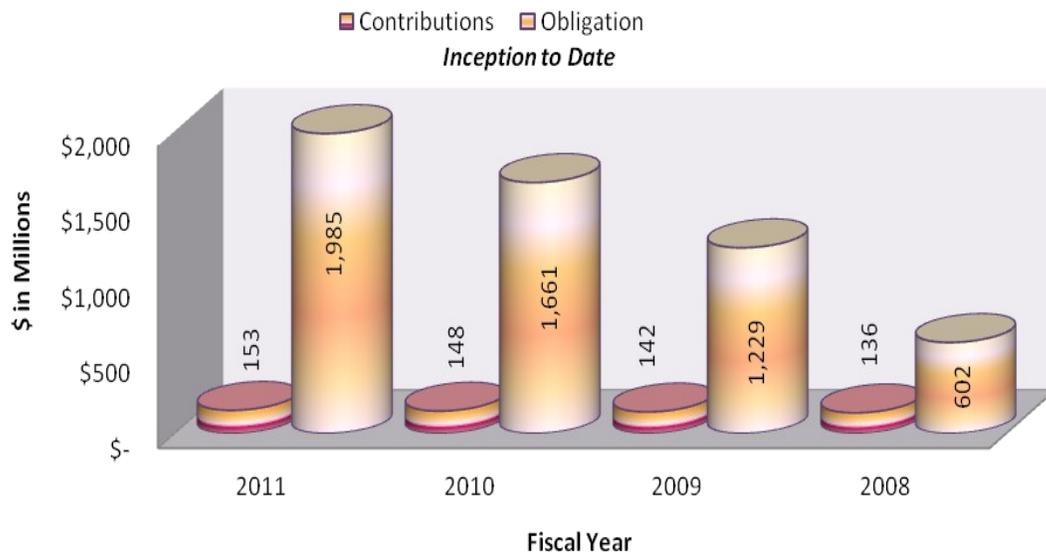
- School Employees' Retirement System
- Teachers' Retirement System
- State Police Retirement System
- Louisiana State Employees Retirement System

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. The accompanying graph shows the trends of the funded percentages of the retirement systems over the past five years.

OTHER POSTEMPLOYMENT BENEFITS

Louisiana's Division of Administration, Office of Group Benefits (OGB), is the administrator of a plan that provides other postemployment benefits (OPEB) to eligible participants for healthcare and life insurance benefits. Substantially all state employees become eligible for postemployment benefits if they reach normal retirement age while working for the State and are a member of OGB. Through self-insured and self-funded OGB programs, premiums are collected and benefits are paid as they become due in accordance with an agreement between the employers and plan members, and their beneficiaries.

OPEB



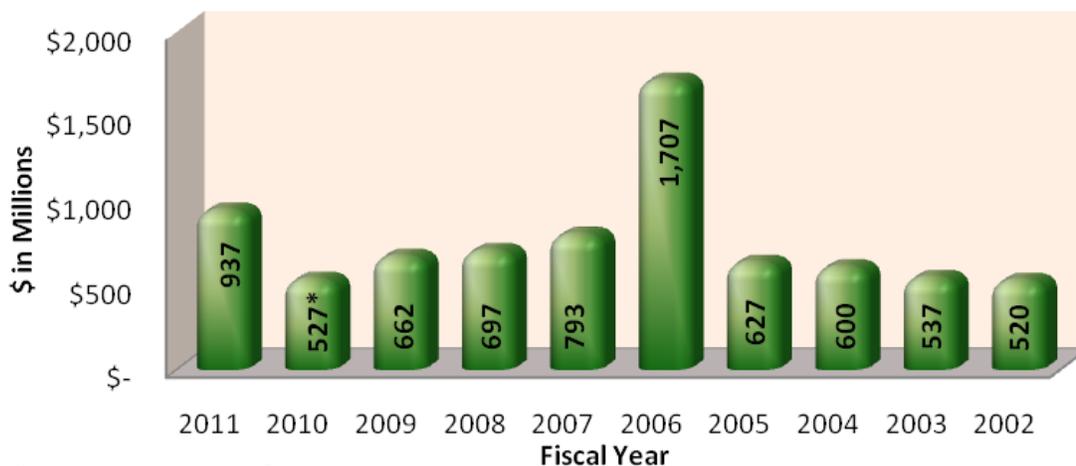
Effective July 1, 2007, the State began recording the liability for other postemployment benefits. The annual required contribution (ARC) represents the normal cost each year and a portion of the unfunded actuarial accrued liability amortized over thirty years. The ARC for FY2011 was \$474 million and the net OPEB obligation at the end of fiscal year 2011 was approximately \$2 billion for the State.

TRANSPORTATION

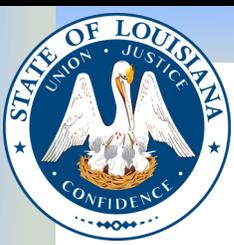
Louisiana maintains 13,016 bridges and 61,601 miles of roads and streets. Construction of roads and bridges continues to occur throughout the State through Louisiana's Transportation Infrastructure Model for Economic Development (TIMED) program. This program was established to expand and improve transportation 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 2011 totaled approximately \$856 million.

For fiscal year 2011, the initiation of new projects totaled \$937 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

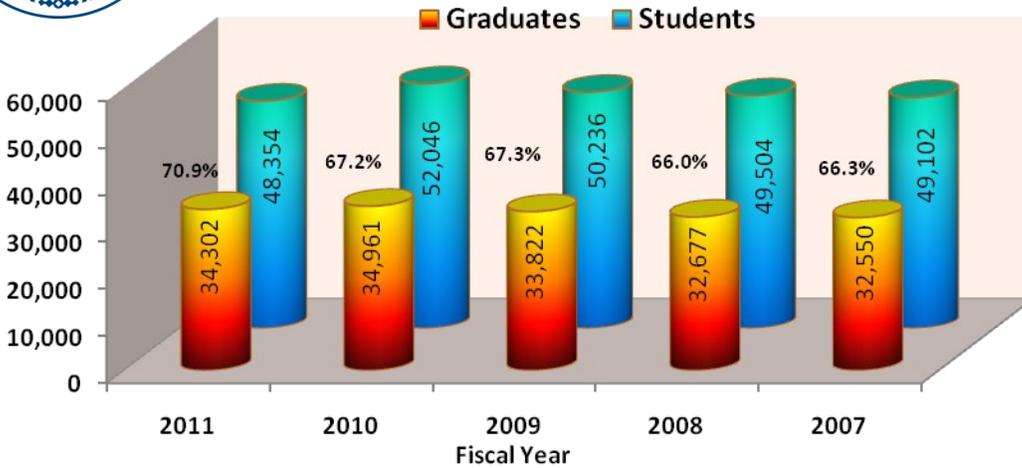


*Represents seven months of data.



EDUCATION

High School Graduation Rates (public schools)



* Year 2011 contains preliminary data at date of printing

Enrollment Grades K-12

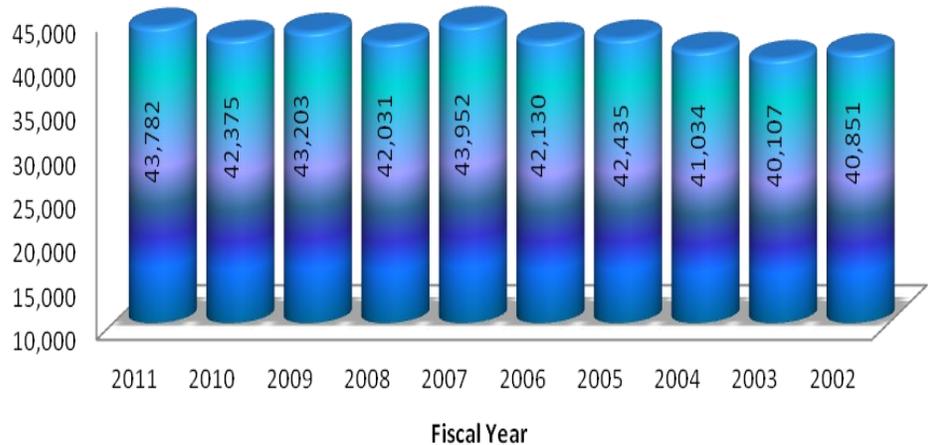
One of Louisiana's primary concerns is ensuring more students graduate prepared to succeed in the workplace or in college. Local and state education leaders have intensified this focus on improving graduation rates, with the aim of raising the annual Cohort Rate to 80 percent by 2014, a goal enacted into law by state lawmakers in 2009. The Cohort Graduation Rate is a measure based on the percentage of students who enter the ninth grade and graduate four years later. The state's 2011 cohort graduation rate is 70.9. More than 60 percent of schools improved their graduation rates between 2010 and 2011. For more information on secondary education in Louisiana, visit the Louisiana Department of Education's website, www.doe.louisiana.gov.

Taylor Opportunity Program for Students (TOPS), created by LRS 17:3048.1, is a program of state scholarships for Louisiana residents who attend either one of the Louisiana Public Colleges and Universities, schools that are a part of the Louisiana Community and Technical College System, Louisiana approved Proprietary and Cosmetology Schools, or institutions that are a part of the Louisiana Association of Independent Colleges and Universities. Legislation found in RS 17:3048.1 authorizes the State to financially assist any student who enrolls on a full-time basis to pursue an academic undergraduate degree or a skill or occupational training, as defined by the Board of Regents, including a vocational or technical education certificate or diploma program or a nonacademic undergraduate degree. In fiscal year 2011, \$144,449,583 was awarded to 43,782 recipients. Information for eligibility requirements and applying for TOPS awards can be found at the Louisiana Office of Student Financial Assistance website www.osfa.la.gov.

TOPS

■ Recipients

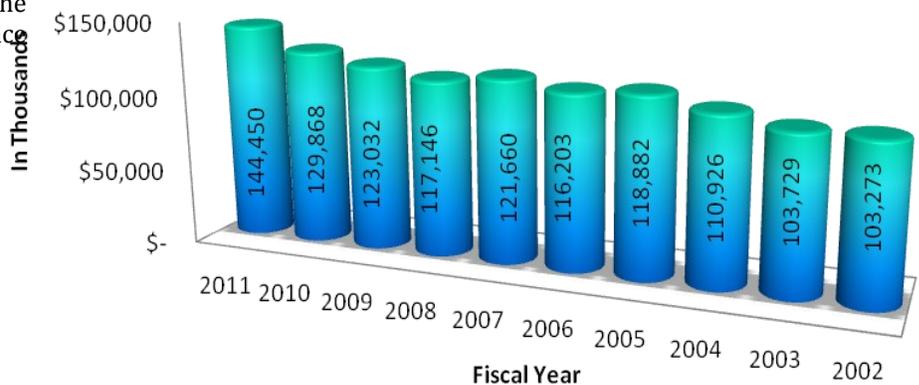
For the Last 10 Fiscal Years



TOPS

■ Awards in Thousands

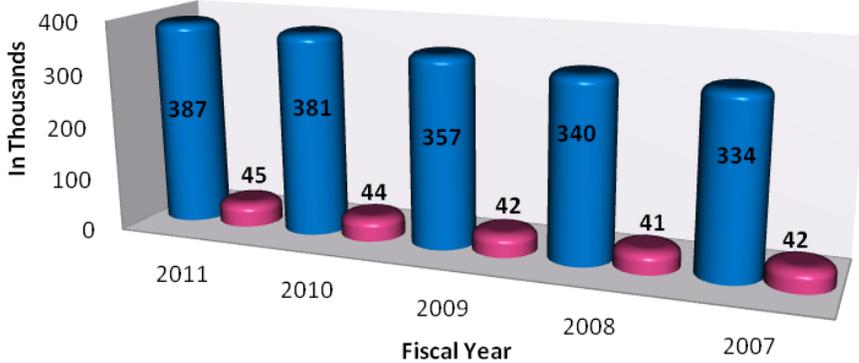
For the Last 10 Fiscal Years



EDUCATION

Public College & University Enrollment

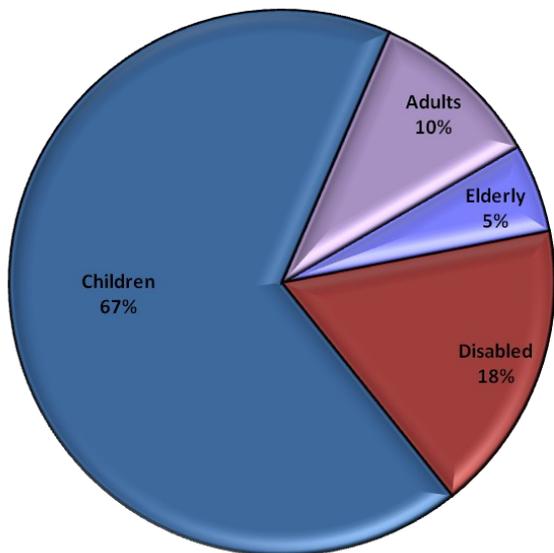
■ Undergraduate ■ Graduate/Professional
For the Last 5 Fiscal Years



The Board of Regents is authorized to develop a master plan for higher education in Louisiana to raise the educational attainment of its adult residents to successfully compete in the 21st century world economy. It also addresses the need to strategically invest in targeted research to sustain and expand the State's economic prosperity through development of a skilled, educated citizenry. Higher Education in Louisiana consists of four main systems: the University of Louisiana System, Louisiana Community & Technical College System, Louisiana State University System, and Southern University System. Total enrollment in these systems reached 225,198 for fiscal year 2010. For more information on higher education in Louisiana, visit the Board of Regents website www.regents.louisiana.gov.

HEALTH AND WELFARE

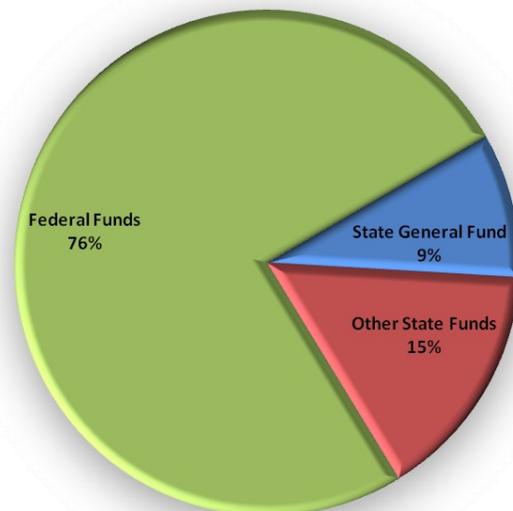
Louisiana Medicaid Enrollment By Category



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 the need of benefits from the health and welfare system. Louisiana Healthcare, 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 residents during the fiscal year ended June 30, 2011. Services were provided to 53,797 elderly residents, 175,930 disabled residents, 103,749 adult residents, and 682,509 Louisiana children. The overall enrollment increased by 8,718 individuals.

Louisiana's Medicaid expenditures are grouped into two types, Medical Vendor Program (MVP) and Medical Vendor Administration, both of which are jointly funded by state and federal dollars. Medicaid expenditures for the fiscal year ending June, 30, 2011 totaled \$7.1 billion with \$658 million being funded by State General Fund, \$1 billion being funded by other state funding sources, and \$5.4 billion being funded by federal funds. For more information on Medicaid in Louisiana, visit the Department of Health and Hospitals website at <http://new.dhh.louisiana.gov>.

Medicaid Expenditures By Means of Financing



WEBSITE ADDRESSES

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

www.louisiana.gov
www.gov.state.la.us
www.doa.louisiana.gov/doa
www.doa.la.gov/osrap

This public document was published at a total cost of \$1,025.00. One Thousand (1,000) copies of this public document were published in this first printing at a cost of \$1.03 per document. This document was published for public distribution by the Division of Administration, Office of Statewide Reporting and Accounting Policy, to reflect an overview of the financial condition of the state for the fiscal year ended June 30, 2011, under the authority of R.S. 39:80(B). This material was printed in accordance with the standards for printing by state agencies pursuant to R.S. 43:31.



www.doa.la.gov/osrap/popularreport.htm

