

# STATE OF LOUISIANA

## POPULAR ANNUAL FINANCIAL REPORT

### FISCAL YEAR ENDED JUNE 30, 2004

On January 12, 2004, Kathleen Babineaux Blanco became the first woman to serve as governor of Louisiana. Her vision for the state covers three primary areas: health care, education and economic growth. Affordable and accessible health care is a leading concern. Her education agenda includes providing superior educational opportunities for the State's children and workforce through a network of competent, caring professionals using the most modern tools available. She considers quality public education to be a high priority for continued economic growth.

The Popular Report is prepared to comply with statutory requirements 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 of Louisiana's revenues, expenditures, financial posi-

tion, budget and performance. The information, presented in a non-technical format, is intended to summarize basic financial information about our State. This report is supported in more detail in the State's Comprehensive Annual Financial Report (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.

The CAFR can be obtained on the internet at <http://www.doa.state.la.us/osrap/library/Publications/carf04.pdf> or by contacting the Office of Statewide Reporting and Accounting Policy, P.O. Box 94095, Baton Rouge, LA 70804-9095.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Government-wide activities provide a broad overview of the state's finances similar to a private sector business. Government-wide activities present the combined financial position and operating results of all state funds, excluding fiduciary funds such as pension funds.

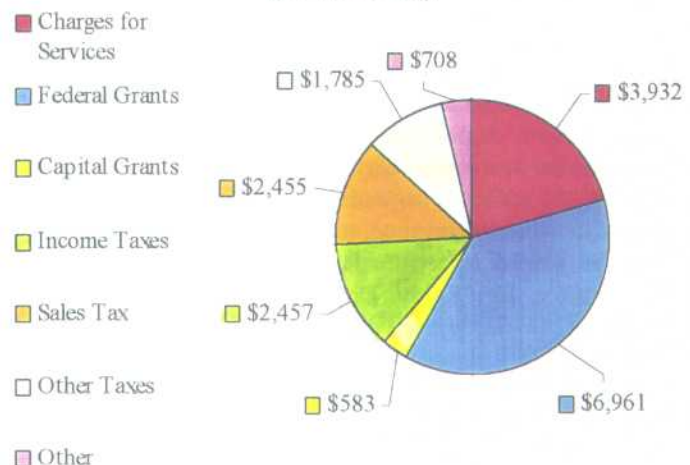
### NET ASSETS

By comparison to last fiscal year, the government-wide statements of the primary government reflect total assets of \$22.6 billion (a \$695 million increase over last year) and total liabilities of \$8.5 billion (a \$156 million increase). As a result, total net assets (assets less liabilities) equaled \$14.1 billion at June 30, 2004, which is an increase of \$538 million or 4% over last year. The unrestricted net assets deficit balance of \$3.7 billion was a \$100 million decrease from last year. This "deficit" represents a negative balance after the State pays all its obligations and sets aside assets it cannot spend due to legal requirements established by the legislature, the State Constitution, and other agreements with donors and grantors. A major reason for this deficit in unrestricted net assets is that the State's financial statements report debt for capital assets owned by local governments, while those assets are carried on the local government's financial statements.

### REVENUES

State revenues totaled \$18.9 billion in fiscal year 2003-2004. Fund balances and other state assets were also used to support government programs. As the accompanying chart shows, nearly 37 percent of the state's revenues came from the federal government and were earmarked for specific uses.

Government-wide Revenues  
(In Millions)

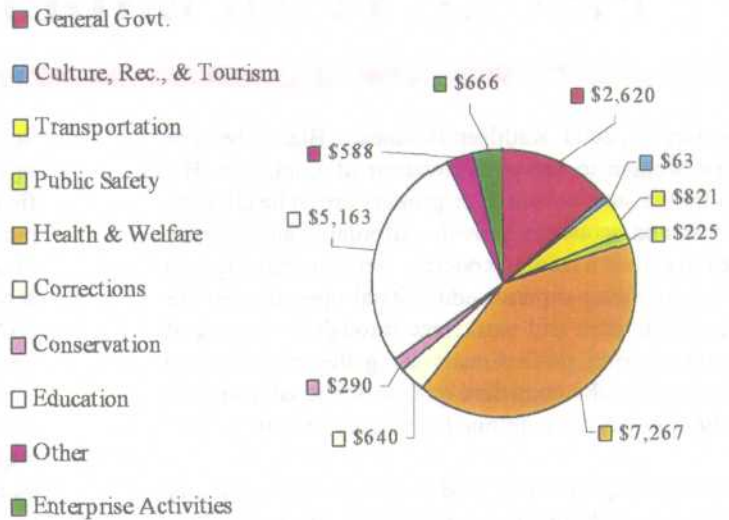


# GOVERNMENT-WIDE FINANCIAL ANALYSIS

## EXPENSES

On a government-wide basis, the state spent \$18.3 billion during fiscal year 2003-2004 to provide services to Louisiana citizens. As depicted in the accompanying chart, health and welfare represents the state's largest spending category, accounting for over 40 percent of the state's spending. Education represents the second largest spending category, accounting for over 28 percent of the state's spending.

Government-wide Expenses  
(In Millions)



## GENERAL FUND BALANCE SHEET

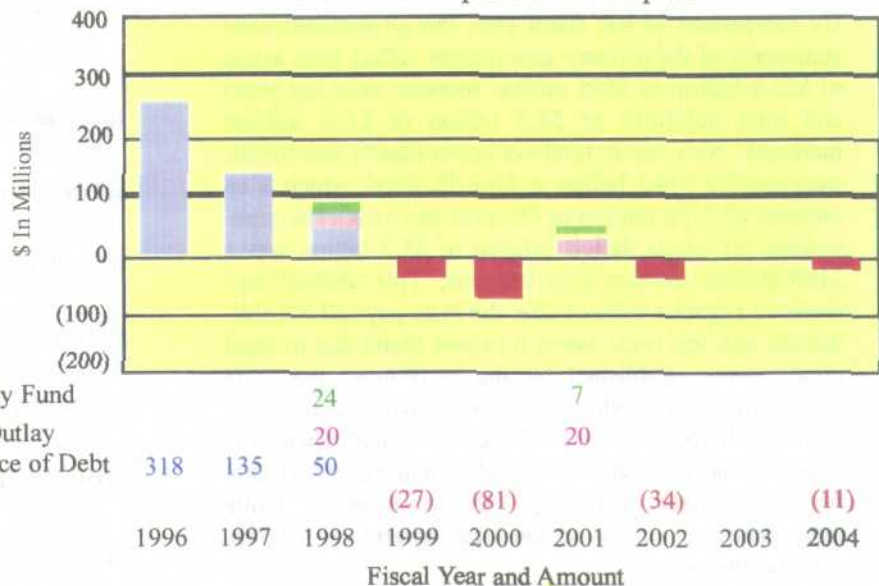
While the foregoing discussion on the government-wide financial statements shows the condition of the entire State, of special interest is the balance sheet of the General Fund, which is the chief operating fund of the State. Assets of \$1.8 billion and obligations of \$1.5 billion leave a total fund balance of \$287 million. The majority of this balance (the "reserved fund balance" and the "designated fund balance") is usually reserved or designated for many 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. More of the fund balance of the General Fund was either reserved or designated this fiscal year. Therefore, total liabilities, reservations, and designations exceeded the total available assets causing a deficit of (\$11) million in fiscal year 2004.

## 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 capital construction, retirement or defeasance of debt, or providing payments against the unfunded accrued liability of the retirement systems. In addition, beginning in 1998, 25% of any nonrecurring revenue, such as surpluses, must be placed in the Budget Stabilization or "Rainy Day" Fund. As previously mentioned, fiscal year 2004 closed with the General Fund having a deficit of (\$11) million as more than the available fund balance was either reserved or designated.

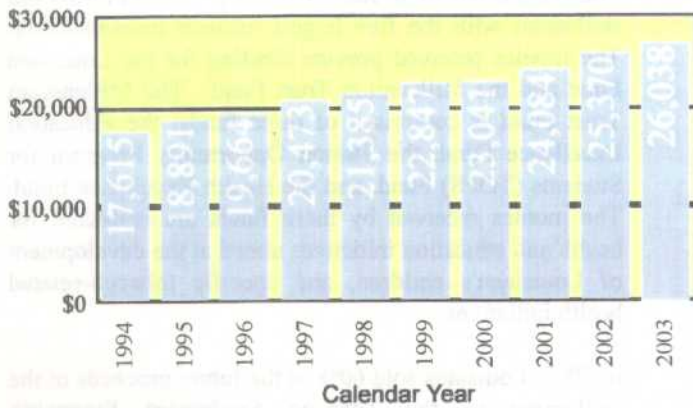
General Fund Surpluses and Deficits by Year & How the Surpluses Were Spent





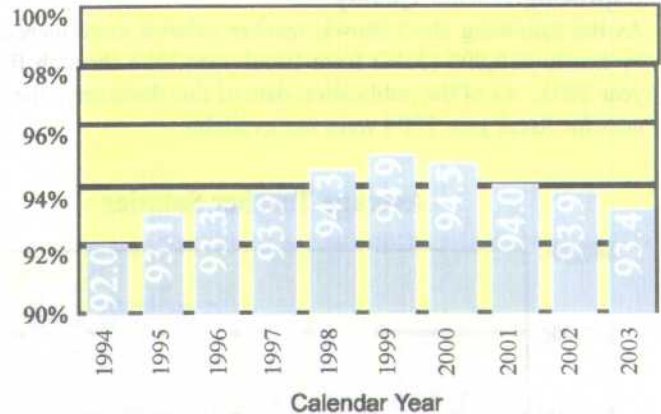
## ECONOMIC DEMOGRAPHICS

Income Per Capita - Last 10 Calendar Years



Source: 2004 CAFR

Employment Rate - Last 10 Calendar Years

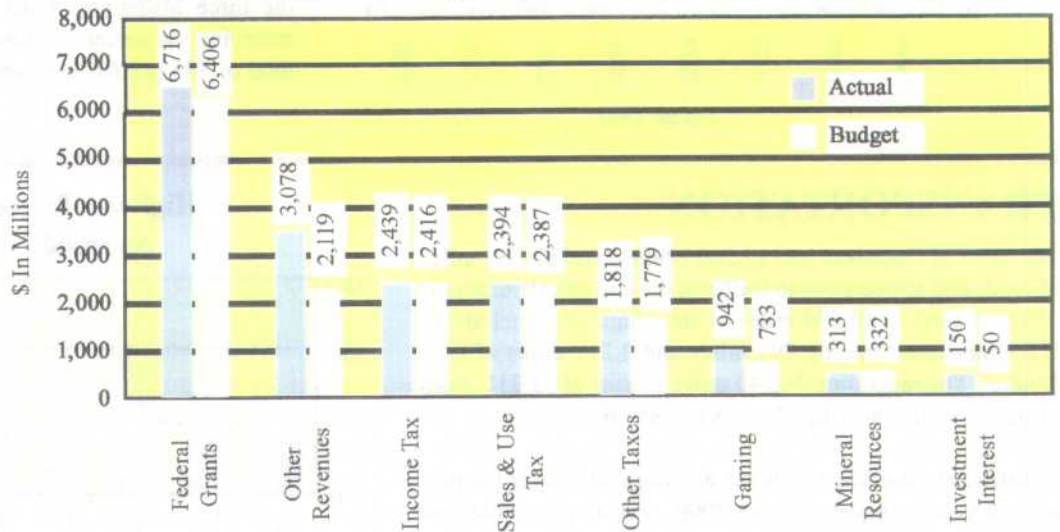


Source: 2004 CAFR

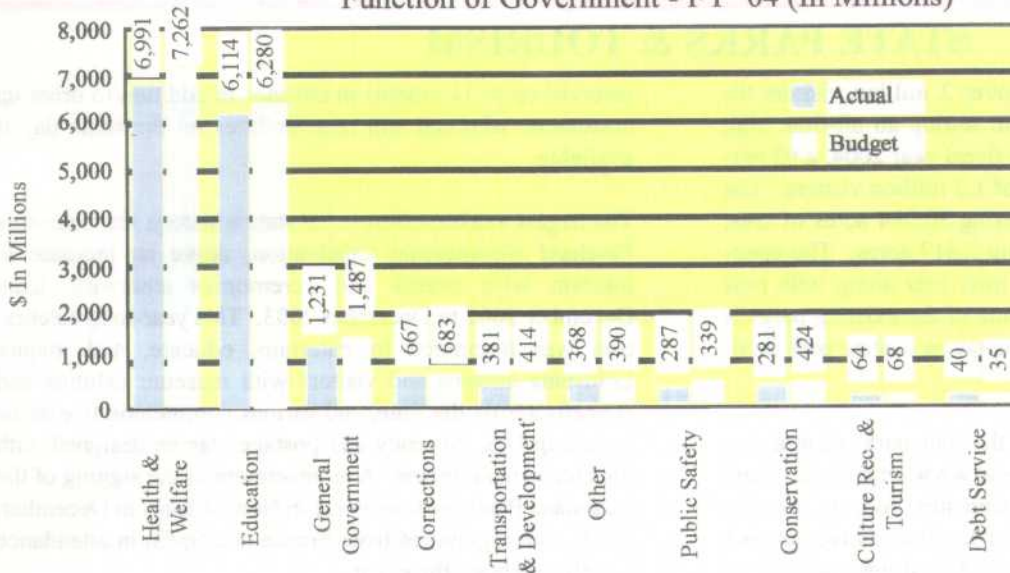
## BUDGETARY INFORMATION

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 revenues are presented by the source of the revenue, mostly from federal grants and various taxes. The chart depicts the budgeted and actual revenues and illustrates the performance of the State in adhering to the legally adopted revenue budget which includes the General Fund and other budgeted funds.

Revenues - Actual to Budget by Source of Revenue - FY '04 (In Millions)



General Fund Expenditures - Actual to Budget by Function of Government - FY '04 (In Millions)



While the Revenue chart depicts the revenue budget by sources of revenue, the Expenditure chart depicts actual and budgeted expenditures for the General Fund, which is the chief operating fund of the State. This chart illustrates the budgeted and actual expenditures of the General Fund by function of government such as health & welfare, education, and transportation & development. It also illustrates the State's performance in adhering to the legally adopted expenditure budget.

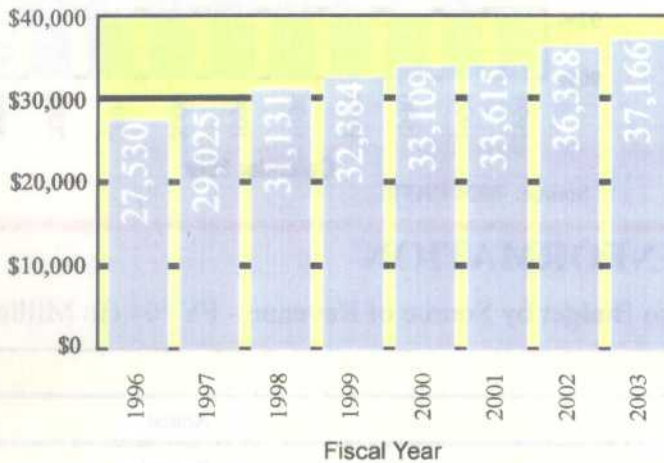


## EDUCATION (K-12)

### Improving Teacher Quality

As the following chart shows, teacher salaries have increased by nearly \$10,000 (35%) from fiscal year 1996 through fiscal year 2003. As of the publication date of this document, the figures for fiscal year 2004 were not available.

Average Teacher Salaries

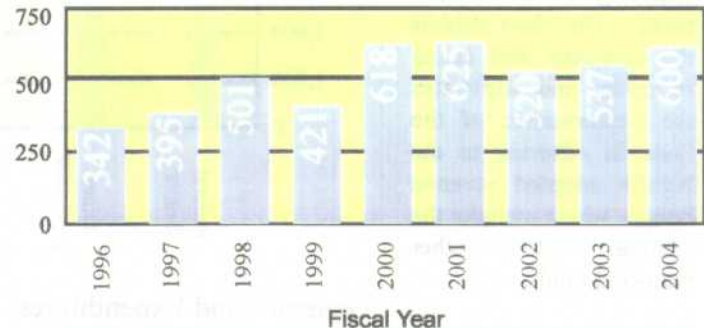


## TRANSPORTATION

The State of Louisiana had 13,223 bridges and 60,937 miles of roads and streets open to traffic at the end of calendar year 2003. A total of 16,694 miles of state highways include 12 U.S. Interstates totaling 893 miles and 2,211 miles of U.S. Routes. The remaining 44,243 miles consist of 33,311 miles of parish roads and 10,932 miles of city streets.

Construction continues to occur at a high level over the past several years compared to pre-2000. Fiscal year 2004 saw the initiation of \$600 million in new projects. The chart on the right depicts the progress that has occurred since 1996.

Highway Projects Approved & Awarded To Contractors



## STATE PARKS & TOURISM

Louisiana's State Parks attracted over 2 million visitors for the third year in a row, once again setting an all-time high with nearly 2.1 million visitors for fiscal year 2004, a 62 percent increase since the 1997 total of 1.3 million visitors. The State operates 24 State Parks covering 30,984 acres of area, and 21 State Historic Sites covering 2,617 acres. The opening of two new parks within the next year along with new cabins and other renovations at some of the existing parks is expected to stimulate even more visitation to state park facilities in the coming years.

Now in its fifth year of operation, the state parks central registration system is available on-line at [www.crt.state.la.us](http://www.crt.state.la.us) and can be used to reserve cabins, campsites, lodges, meeting rooms, or picnic pavilions at any of Louisiana's recreational sites with such accommodations. The facilities can now be

reserved up to 11 months in advance in addition to drive-up customers, who can still rent facilities on the same day if available.

The largest tourism effort in the state's history, the Louisiana Purchase Bicentennial Celebration, drove an increase in tourism with events and ceremonies statewide from December 2002 to December 2003. This year-long celebration was organized to entertain, educate, and inspire Louisiana citizens and visitors with museum exhibits and concerts across the state, and various commemorative items including U.S. currency and postage stamps designed with the bicentennial theme. A re-enactment of the signing of the Louisiana Purchase took place in New Orleans in December, 2003, with dignitaries from France and Spain in attendance to help celebrate the event.

## TOBACCO SETTLEMENT

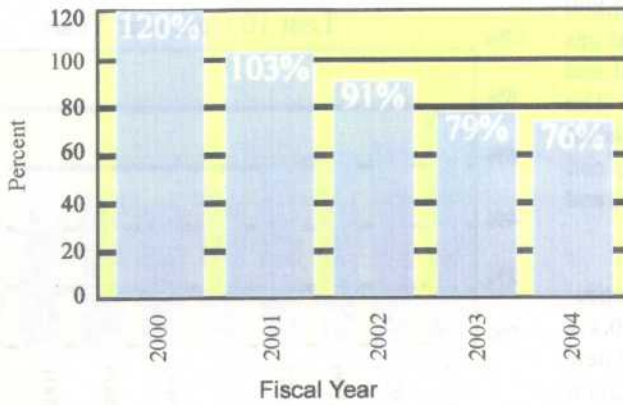
Louisiana is one of 46 states receiving a share of the 1998 settlement with the five largest tobacco manufacturers. The monies received provide funding for the Louisiana Fund and the Millennium Trust Fund. The Millennium Trust Fund is comprised of three funds: the Education Excellence Fund, the Tuition Opportunity Program for Students (TOPS) Fund, and the Health Excellence Fund. The monies received by these funds are restricted for health and education initiatives aimed at the development of Louisiana's children, and specific tobacco-related health initiatives.

In 2002, Louisiana sold 60% of the future proceeds of the settlement to the Tobacco Settlement Financing Corporation, a special purpose public corporate entity that sold bonds to purchase the interest in the future proceeds. Including the proceeds from the bond sale in 2002, nearly \$1.6 billion dollars of the settlement has been placed into the three Millennium Trust Funds since the state began receiving the settlement funds. During fiscal year 2004, a total of \$83 million was received into the three funds.

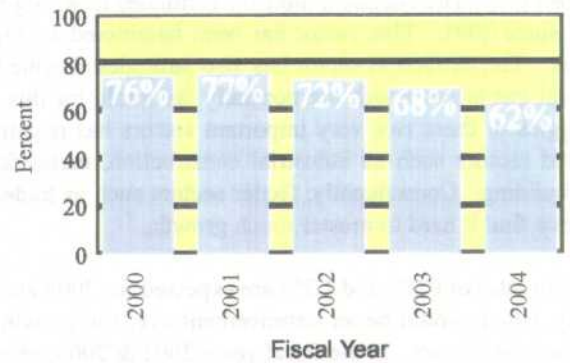


## RETIREMENT SYSTEMS FUNDING

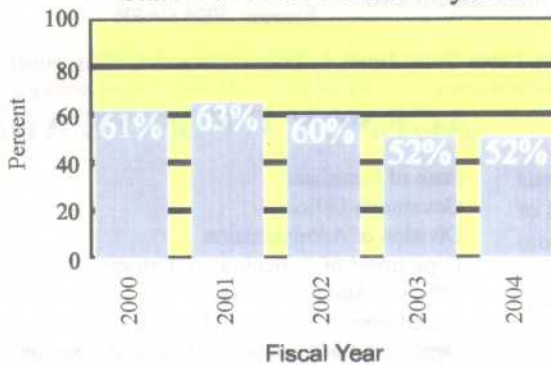
School Employees' Retirement System



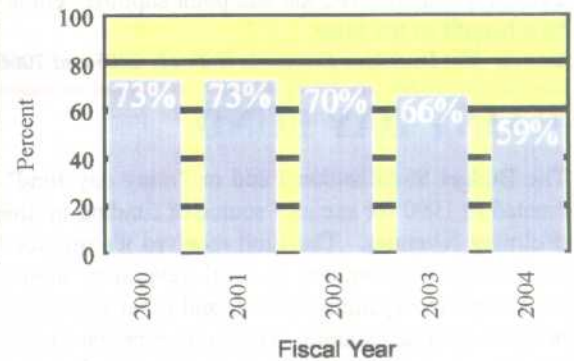
Teachers' Retirement System



State Police Retirement System



State Employees' Retirement System



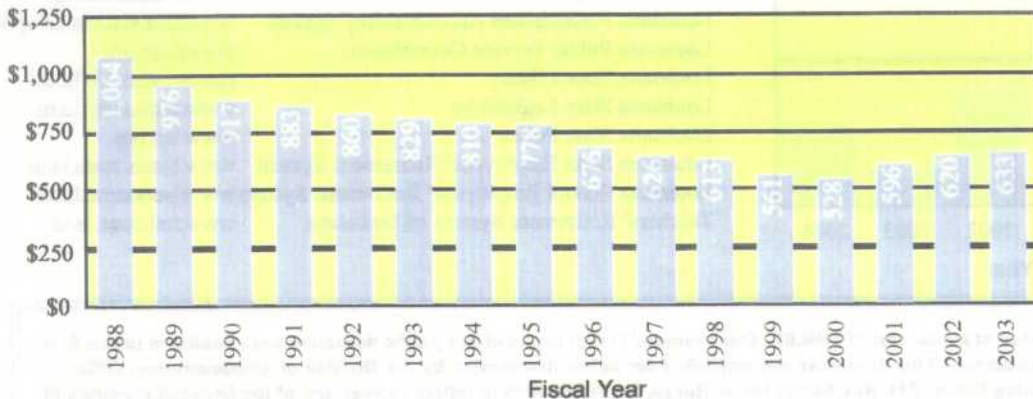
A retirement system's "Unfunded Accrued Liability" (UAL) is the amount expected to be paid in future retiree benefits over and above current resources, while the "Funded Percentage" is the percentage of this liability currently funded. The State's four retirement systems have unfunded

accrued liabilities. Three of the four systems' funded percentages decreased during this fiscal year. The funded percentage decreases are mainly due to increasing annual benefit payments and increases in the actuarial accrued liabilities. The graphs above show the trends of the funded percentages of the retirement systems over the past five years. The Louisiana School Employees' Retirement System, which is now experiencing an unfunded accrued liability, was fully funded prior to fiscal year 2002, at 103% in 2001 and 120% in 2000.

## 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, less amounts to be received from local governments for their portion of the

Net General Obligation Debt Service Per Capita



Source: 2004 CAFR

debt. Based on U.S. Census Bureau population statistics, the debt service per capita for fiscal year 2003 was \$633. (Fiscal year 2004 is not available due to the unavailability of the 2004 population estimate at the date of this printing.) Despite a small increase over fiscal year 2002, debt service per person in Louisiana has decreased by \$431, or 41% per person, since 1988.

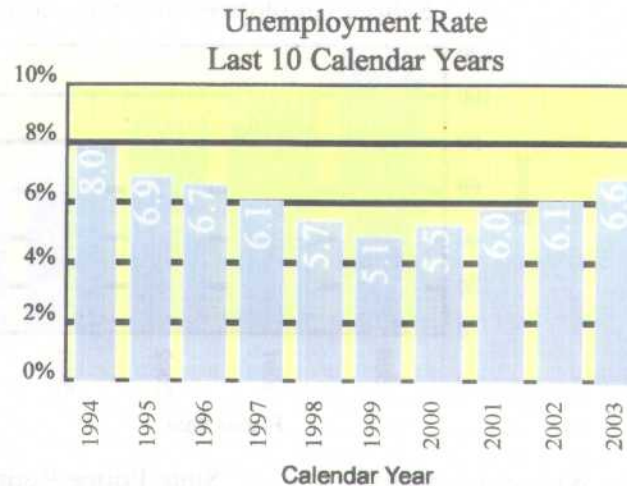


## ECONOMIC OUTLOOK

In 2004, the Louisiana economy began to grow again, though at a very modest rate. The chemical industry continues to struggle, losing 3,800 jobs since 2001. This sector has been hammered by high natural gas prices. The extraction sector has also struggled despite higher oil and natural gas prices which are normally favorable for this industry. The struggles of these two very important sectors has negatively impacted related sectors such as industrial construction, metal fabrication, and shipbuilding. Consequently, feeder sectors such as trade, services, and finance find it hard to muster much growth.

Growth rates of 0.9% and 1.2% are expected for 2005 and 2006, respectively, which would be an improvement over the growth of only 0.4% for the past 2 years. In the fiscal years 2005 & 2006, about 40,100 new jobs are expected. Healthy gains will be seen in the transportation equipment sector with several new plants scheduled to open in 2006. As a result, plant construction and plant suppliers employment should also be a benefit to the State.

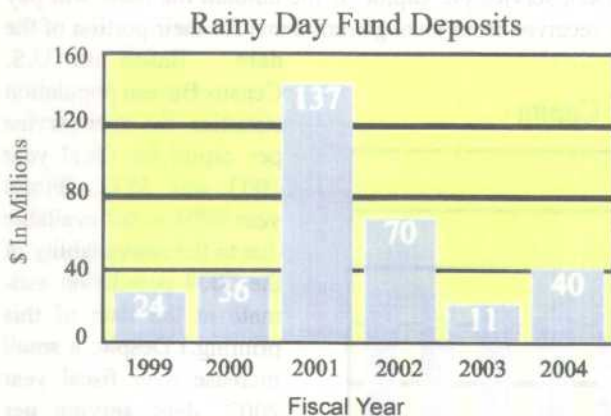
Source: *The Louisiana Economic Outlook: 2005 and 2006* by Loren Scott, James A. Richardson and A.M.M. Jamal



Source: 2004 CAFR

## RAINY DAY FUND

The Budget Stabilization Fund or "rainy day fund" was created in 1990 for use as a source of funding in times of declining revenues. The fund receives its monies from non-recurring revenues, mineral revenues, monies in excess of the expenditure limit, and other monies appropriated by the legislature. The monies can be spent if the forecast for recurring revenues for the next fiscal year is less than the current fiscal year, or if a deficit for the current fiscal year is projected due to a decrease in recurring revenues. Last year, due to declining revenue projections for fiscal year 2003, the "rainy day fund" was used for the first time to provide \$86.4 million to avoid further reductions in important programs. No monies were expended from the fund in fiscal year 2004 while deposits into the fund were \$40 million. Since its inception, deposits have totaled \$318 million, expenditures \$86 million, leaving a balance in the fund of \$232 at the end of fiscal year 2004.



## AGENCY WEBSITE ADDRESSES

State of Louisiana	<a href="http://www.doa.state.la.us">www.doa.state.la.us</a>
Governor's Office	<a href="http://www.gov.state.la.us">www.gov.state.la.us</a>
Division of Administration	<a href="http://www.doa.state.la.us">www.doa.state.la.us</a>
Department of Agriculture & Forestry	<a href="http://www.ldaf.state.la.us">www.ldaf.state.la.us</a>
Office of Attorney General	<a href="http://www.ag.state.la.us">www.ag.state.la.us</a>
Department of State Civil Service	<a href="http://www.dscs.state.la.us">www.dscs.state.la.us</a>
Department of Culture, Recreation & Tourism	<a href="http://www.crt.state.la.us">www.crt.state.la.us</a>
Department of Economic Development	<a href="http://www.lded.state.la.us">www.lded.state.la.us</a>
Department of Education	<a href="http://www.doe.state.la.us">www.doe.state.la.us</a>
Department of Elections & Registration	<a href="http://www.laelections.org">www.laelections.org</a>
Department of Environmental Quality	<a href="http://www.deq.state.la.us">www.deq.state.la.us</a>
Department of Health & Hospitals	<a href="http://www.dhh.state.la.us">www.dhh.state.la.us</a>
Department of Insurance	<a href="http://www.ldi.ldi.state.la.us">www.ldi.ldi.state.la.us</a>
Department of Labor	<a href="http://www.ldol.state.la.us">www.ldol.state.la.us</a>
Department of Natural Resources	<a href="http://www.dnr.state.la.us">www.dnr.state.la.us</a>
Department of Public Safety & Corrections	<a href="http://www.dps.state.la.us">www.dps.state.la.us</a>
Department of Revenue	<a href="http://www.rev.state.la.us">www.rev.state.la.us</a>
Department of State (Secretary of State)	<a href="http://www.sec.state.la.us">www.sec.state.la.us</a>
Department of Social Services	<a href="http://www.dss.state.la.us">www.dss.state.la.us</a>
Department of Transportation & Development	<a href="http://www.dotd.state.la.us">www.dotd.state.la.us</a>
Department of the Treasury	<a href="http://www.treasury.state.la.us">www.treasury.state.la.us</a>
Department of Wildlife & Fisheries	<a href="http://www.wif.state.la.us">www.wif.state.la.us</a>
Board of Regents for Higher Education	<a href="http://www.regents.state.la.us">www.regents.state.la.us</a>
Louisiana Legislative Auditor	<a href="http://www.lla.state.la.us">www.lla.state.la.us</a>
Louisiana Performance Accountability System	<a href="http://www.doa.state.la.us/opb/lapa">www.doa.state.la.us/opb/lapa</a>
Louisiana Public Service Commission	<a href="http://www.lpsc.org">www.lpsc.org</a>
Louisiana State Library	<a href="http://pelican.state.lib.la.us">pelican.state.lib.la.us</a>
Louisiana State Legislature	<a href="http://www.legis.state.la.us">www.legis.state.la.us</a>
Louisiana State Police	<a href="http://www.lsp.org">www.lsp.org</a>
Louisiana State Employees' Retirement System	<a href="http://www.lasers.state.la.us">www.lasers.state.la.us</a>
Louisiana School Employees' Retirement System	<a href="http://www.lasers.state.la.us">www.lasers.state.la.us</a>
Teachers' Retirement System of Louisiana	<a href="http://www.trsl.state.la.us">www.trsl.state.la.us</a>

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