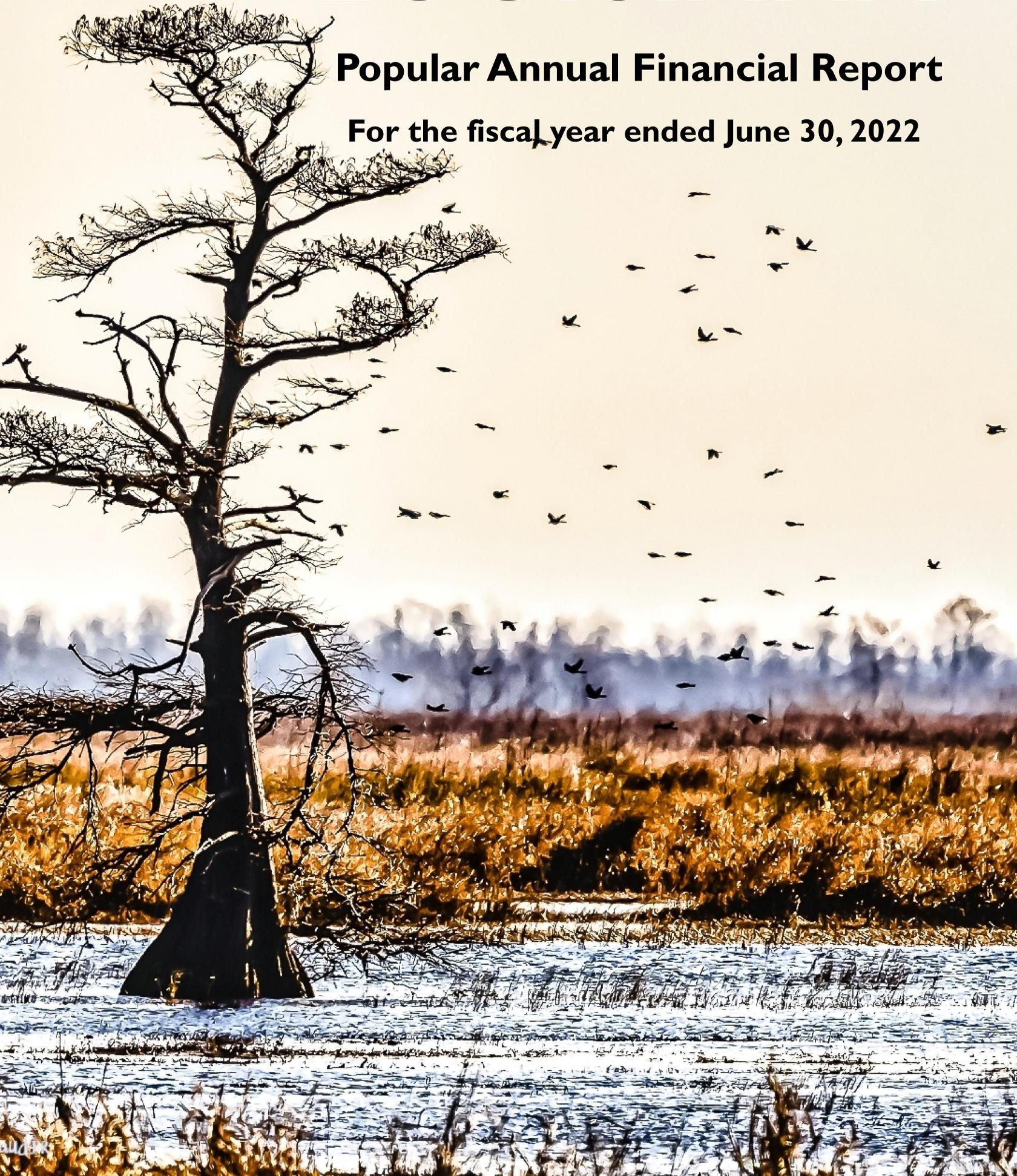


LOUISIANA

Popular Annual Financial Report

For the fiscal year ended June 30, 2022



Introduction

The Popular Annual Financial Report (PAFR) is prepared within six months after the fiscal year-end in accordance with Louisiana Revised Statute (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. It presents selected information about the State's revenues, expenditures, financial position, budget, service efforts and performance. The information is presented in a non-technical format and is intended to summarize and explain the basic financial condition and the operations of the State for the fiscal year covered by the Annual Comprehensive Financial Report (ACFR), for the State of Louisiana.

Discrete component units that are legally separate state entities (e.g. Louisiana Lottery Corporation) are excluded from selected PAFR analysis because the PAFR focuses on the State's primary government section of the government-wide entities. Fiduciary funds (such as pension trust funds and custodial funds) are also excluded from the PAFR and the government-wide financial statements in the ACFR because the State cannot use these assets to finance its operations.

The ACFR is prepared in accordance with Generally Accepted Accounting Principles (GAAP) and is independently audited by the Louisiana Legislative Auditor. Conversely, the PAFR is unaudited and includes financial data that departs from GAAP.

A copy of the ACFR can be obtained on the Office of Statewide Reporting and Accounting Policy's (OSRAP) website at www.doa.la.gov. The source of all illustrations is the 2022 and/or prior years ACFRs unless otherwise indicated.

Basis of Accounting

GAAP Basis

The State's GAAP basis government-wide financial statements provide a broad overview of the finances of the State as a whole. The government-wide financial statements are presented on the full-accrual basis of accounting, which is similar to the basis of accounting used by private-sector entities. The government-wide statements provide information about the short and long-term economic effects of policy decisions such as the administration of government programs, capital financing, debt issuance, and funding obligations for post-employment benefits for the State's employees. Consistent with the long-term focus, the government-wide financial statements report all of the State's economic resources rather than those financial resources that are currently available.

Budgetary Basis

The State's budgetary basis of accounting focuses on the short-term, rather than the long-term focus of the government-wide financial statements discussed above. Budgetary basis information is useful in 1) assessing whether the State was able to finance current year expenditures of current financial resources with current year collections of current financial resources and 2) demonstrating compliance with finance-related laws and regulations.

Financial Results

Financial Position

Financial position is the difference between a government's resources and the claims of other parties on those resources at a point in time. Financial position is strong if a government has ample resources in excess of the claims of others on those resources. The greater the financial position, the more a government is prepared to weather future revenue shortfalls or finance unexpected contingencies without disrupting the delivery of critical government services. The following tables depict the financial results of the State's primary government.

The Statement of Net Position summarizes the assets and deferred outflows of resources, and the liabilities and deferred inflows of resources, with the difference reported as net position. The State's financial position (net position) at June 30, 2022 was approximately \$9.3 billion. The largest portion of net position, \$13.8 billion, is the net investment in capital assets. The net investment in capital assets component of net position is equal to the carrying amount of the State's capital assets (i.e. land, roads, buildings, etc.) less the outstanding debt used to finance those assets. An additional \$7.7 billion of net position is subject to external restrictions. The unrestricted component of net position would normally be available to finance the State's on-going operations and obligations. However, unrestricted portion of net position was a negative \$12.2 billion at fiscal year end. The negative unrestricted net position is mainly due to the following and is partially offset by the State's cash, investments, and other current assets:

- * An OPEB liability and OPEB-related deferred inflows and outflows for the State's obligation to provide post-employment health care benefits to its employees and retirees of approximately \$6.3 billion.
- * A net pension liability and pension-related deferred inflows and outflows for the State's participation in various defined benefit plans of approximately \$5.3 billion.
- * The effect of continued issuance of long-term debt to fund annual expenses for capital grants to other entities of approximately \$3.3 billion.
- * Unfunded reserves for incurred claims payable to outside parties for worker's compensation, disallowed costs, and various lawsuits of approximately \$2.1 billion.
- * An estimated liability recorded for \$1.0 billion to recognize the State's share of the costs in three partnerships with the Federal Government to construct and improve levee systems in the greater New Orleans area, known as the Hurricane and Storm Damage Risk Reduction System.

The Statement of Activities reports the change in net position from the prior year. Louisiana's overall net position increased by \$3.7 billion in the current fiscal year. The following factors contributed to the changes in the state's net position:

- * The State had a \$2.1 billion increase in tax revenues.
- * The State had a net decrease of \$473 million in operating grants and contributions, which is comprised mostly of federal revenues. Although federal revenues for governmental activities increased \$3.2 billion largely due to increases for Medicaid, disaster grants, and education programs, the State had a decrease in federal revenues for business-type activities of \$3.7 billion primarily due to the reduction in COVID-related unemployment insurance claims.
- * Expenses for governmental activities increased \$2.9 billion and expenses for business-type activities decreased \$4.9 billion resulting in a net decrease of \$2 billion. This net decrease is directly related to the decrease in federal revenues.

Condensed Statement of Net Position (in thousands) FYE 06/30/2022	
Current and Other Assets	\$29,785,827
Capital Assets	18,002,166
Total Assets	<u>47,787,993</u>
Total Deferred Outflows of Resources	2,379,586
Other Liabilities	14,331,628
Long-Term Debt Outstanding	23,641,440
Total Liabilities	<u>37,973,068</u>
Total Deferred Inflows of Resources	2,844,772
Net Investment in Capital Assets	13,819,442
Restricted	7,698,960
Unrestricted	<u>(12,168,663)</u>
Total Net Position	<u><u>\$9,349,739</u></u>

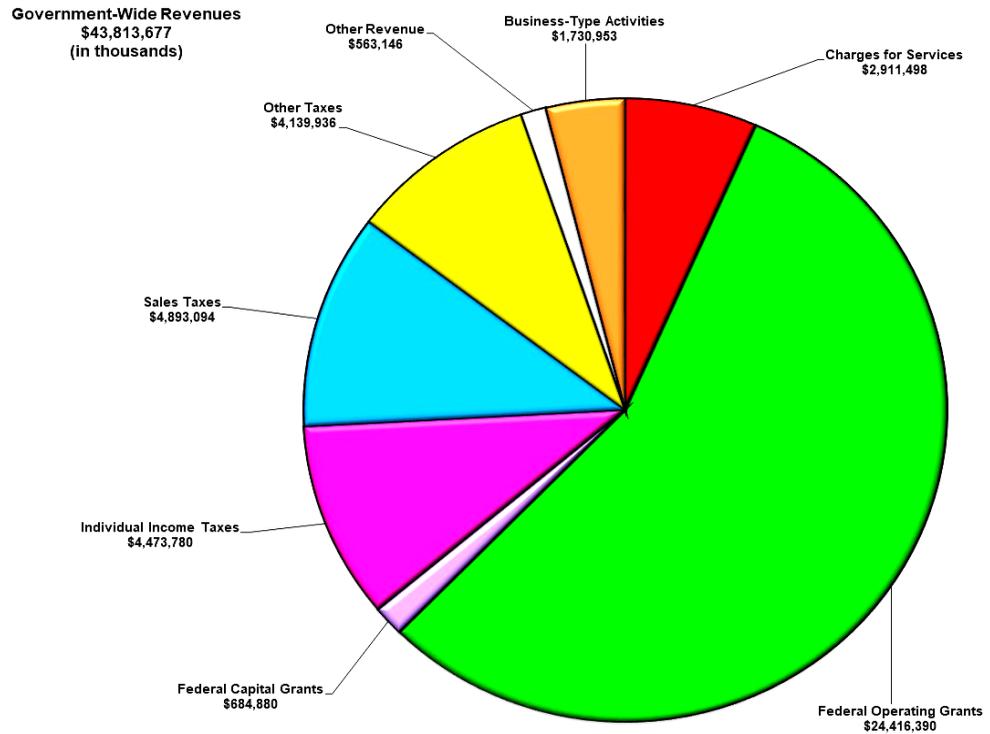
Condensed Statement of Activities (in thousands) FYE 06/30/2022	
Revenues	
Program Revenues:	
Charges for Services	\$3,353,348
Operating Grants & Contributions	25,658,088
Capital Grants & Contributions	731,853
General Revenues:	
Income Taxes	5,487,953
Sales & Use Taxes	4,893,094
Other Taxes	3,125,763
Other	563,578
Total Revenues	<u>43,813,677</u>
Expenses	
Governmental Activities	
Health & Welfare	20,678,382
Education	8,045,577
General Government	2,354,997
Public Safety	3,149,310
Other	4,627,036
Business-Type Activities	
Higher Education	559,332
Unemployment Insurance	624,342
Other	113,295
Total Expenses	<u>40,152,271</u>
Net Increase (Decrease)	<u>3,661,406</u>
Net Position - Beginning, as Restated	<u>5,688,333</u>
Net Position - Ending	<u><u>\$9,349,739</u></u>

Government-wide Financial Analysis

Government-wide activities present the state's financial position and operating results. The government-wide statements reflect assets and deferred outflows of resources totaling \$50.1 billion and liabilities and deferred inflows of resources of approximately \$40.8 billion. As a result, total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) equaled approximately \$9.3 billion at June 30, 2022. On the Statement of Activities (Operating Statement), total revenues exceeded total expenses by \$3.7 billion.

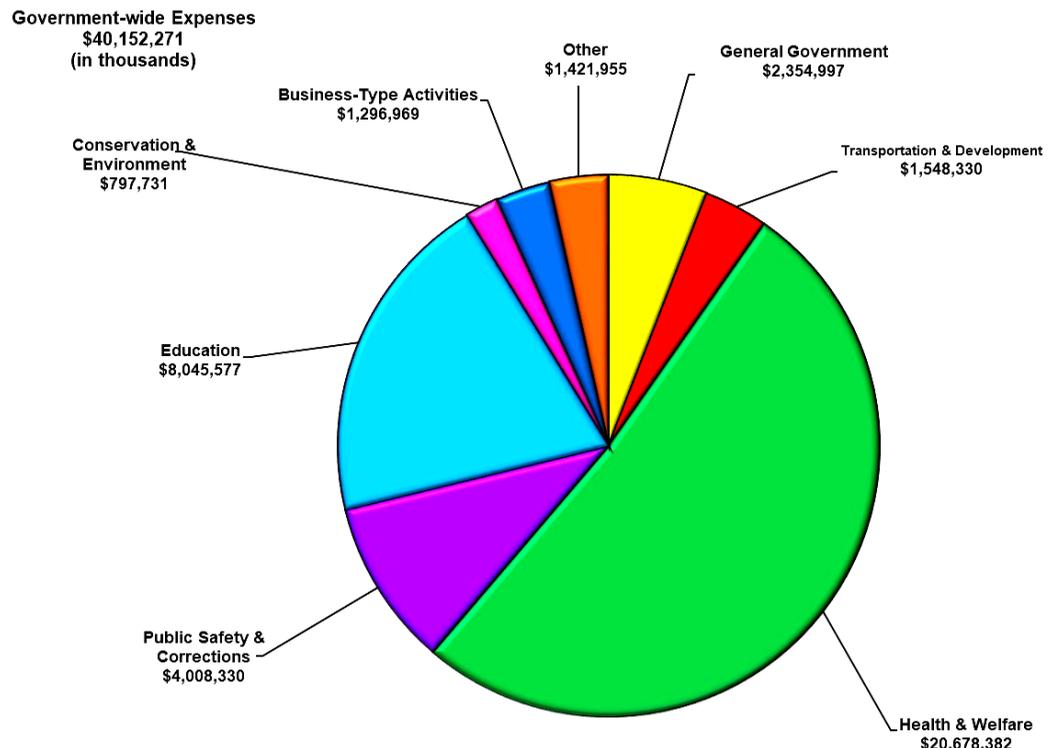
Government-Wide Revenues

State revenue totaled approximately \$43.8 billion in fiscal year 2022. These revenues and other state assets were used to support government programs. The accompanying chart on the right displays revenue by source. Federal grants (capital and operating) for governmental activities comprised 57.3% of the State's revenue.



Government-Wide Expenses

On a government-wide basis, the State expended approximately \$40.1 billion. As depicted in the accompanying chart, health and welfare, education, and public safety and corrections, represent the State's largest spending categories.

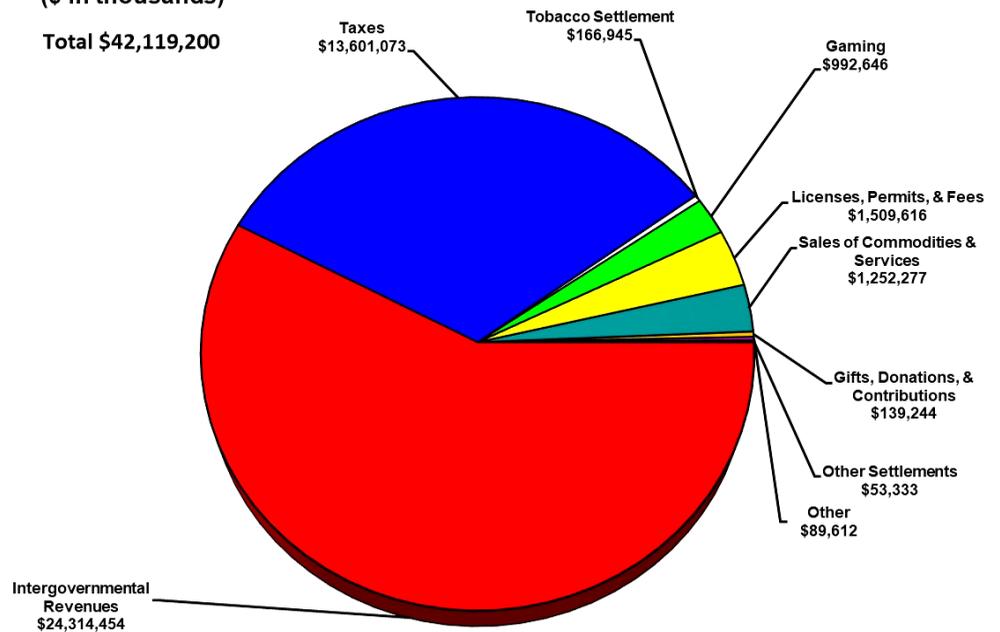


Governmental Funds

During fiscal year 2022, 58% of the State's receipts were from intergovernmental sources (mostly federal) and 42% were derived from the State's own revenue generating authority. The State's own source revenues are comprised mainly of taxes supplemented with gaming revenues; licenses, permits, and fees; and sales of commodities and services. Taxes include sales and use, individual income, corporate income and franchise, severance, gas and fuels, and insurance premium taxes. Gaming revenues consist of profit-sharing with the Louisiana Lottery Corporation and gaming franchise fees. Licenses, permits, and fees consist of charges to users related to regulated activities such as vehicle licenses collected by the Office of Motor Vehicles. Sales of commodities and services consist of sales to entities outside the primary government.

Revenues by Source
(\$ in thousands)

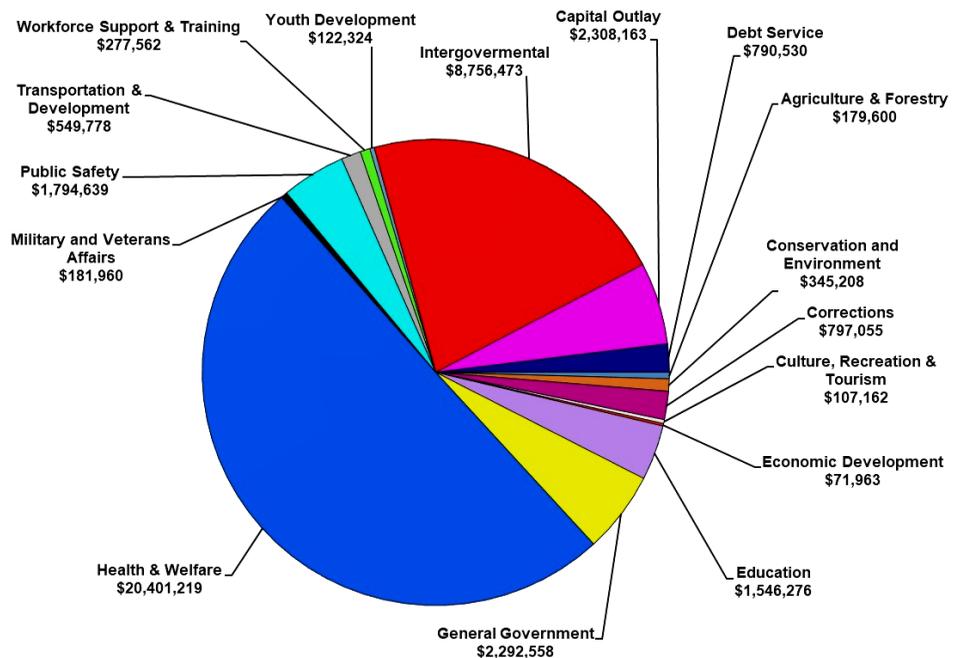
Total \$42,119,200



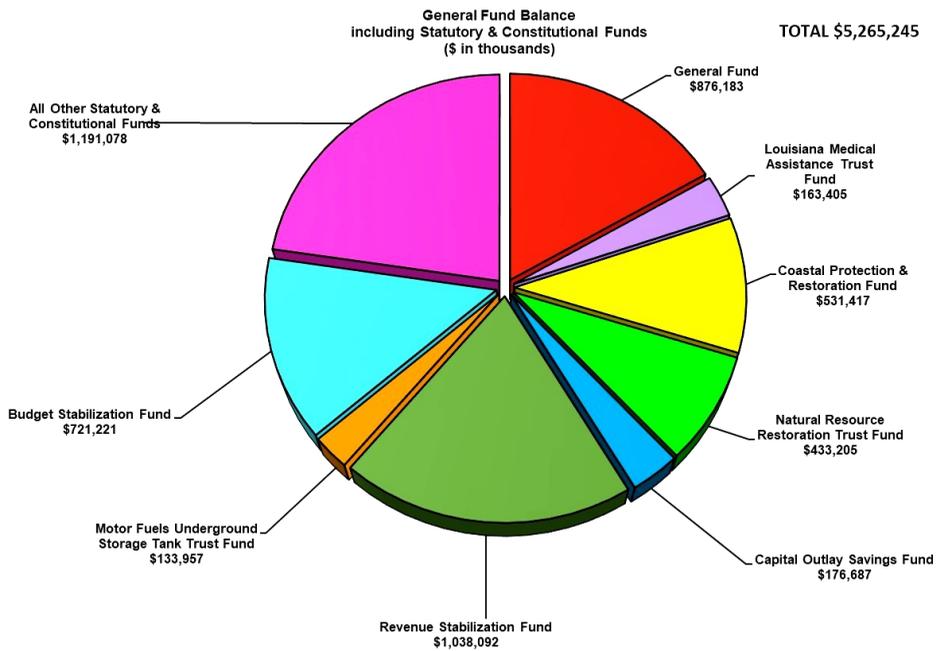
The State's expenditures are largely for health and government benefit programs including large federal programs such as Medicaid, Supplemental Nutrition Assistance Program (SNAP), and various COVID related programs. General government includes expenditures of the judicial and legislative branches as well as general administrative functions such as the Office of Group Benefits. Capital outlay includes expenditures for State-owned capital assets such as roads, bridges, and buildings and capital grants to other entities.

Expenditures by Function
(\$ in thousands)

Total \$40,522,470



General Fund Balance Sheet



The balance sheet of the General Fund, the chief operating fund of the State, is of interest to the public and legislators. The majority of funds created by legislative act or in the Constitution (commonly referred to as statutorily dedicated funds) are reported in the State General Fund for ACFR reporting purposes. Regardless of the ACFR presentation as required by generally accepted accounting principles, these funds are maintained as individual self-balancing accounts in the State Treasury as required by state statute.

At June 30, 2022, the General Fund had assets of \$20.4 billion and liabilities and deferred inflows of \$15.1 billion, leaving a total fund balance of \$5.3 billion. Of this balance, \$4.4 billion is comprised of statutorily dedicated funds as shown on the chart to the left.

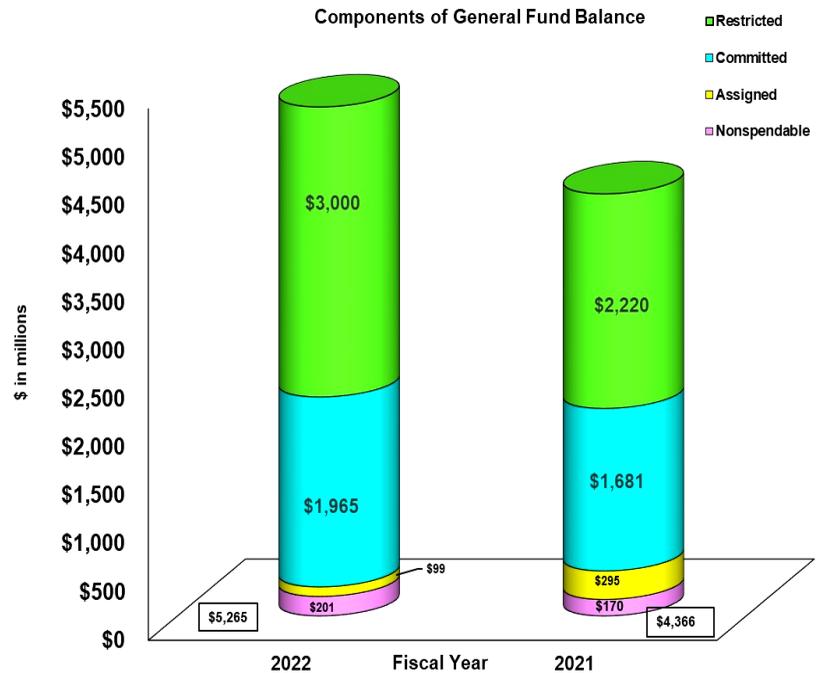
Governmental Accounting Standards Board (GASB) Statement No. 54 revised fund balance categories to focus on the extent to which the government is bound to honor constraints on the specific purposes for which fund sources can be used. The accompanying chart depicts the four fund categories of the General Fund for the past two fiscal years.

Nonspendable Fund Balance - amount that will never convert to cash, such as inventories of supplies, prepaid items, and permanent fund principal.

Restricted Fund Balance - includes amounts that have constraints placed on the use of the resources either by an external party or by imposition of law through constitutional provisions or enabling legislation.

Committed Fund Balance - the portion of fund balance 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 - amount intended to be used for specific purposes and is usually created by the Joint Legislative Committee on the Budget's approvals of year-end encumbrance roll-overs into the subsequent fiscal year.

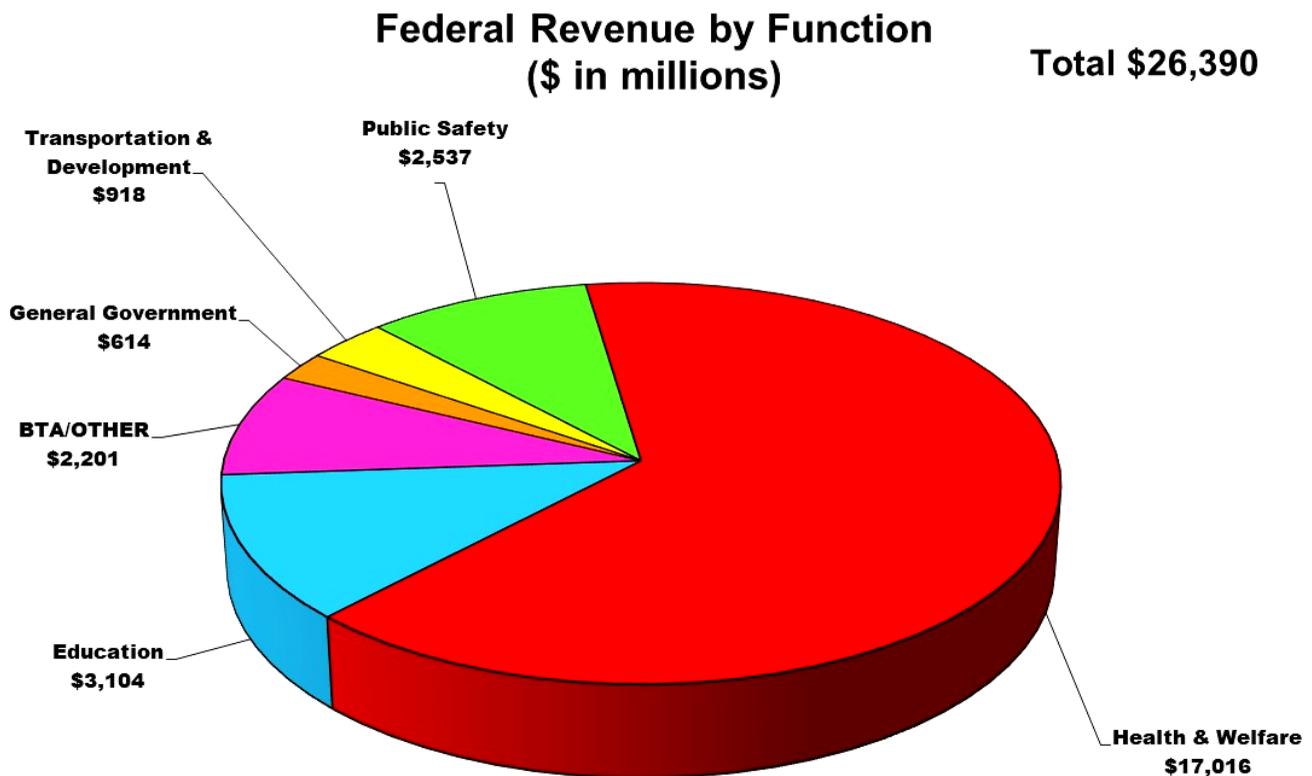


Federal Grant Revenue

The federal government awards financial assistance to the State in the form of federal grants. For the fiscal year ended June 30, 2022, total grant revenue was approximately \$26.4 billion with health and welfare programs receiving \$17 billion followed by education and public safety receiving \$3.1 billion and \$2.5 billion, respectively. Various other state departments received the remaining \$3.7 billion.

As the State continues to recover from the COVID-19 pandemic, funding from the American Rescue Plan Act (ARPA) remains available to achieve a variety of objectives, including but not limited to, addressing the negative impacts of the pandemic and making necessary investments in water, sewer, and broadband infrastructure. In fiscal year 2021, the State received over \$3 billion in ARPA funds. As of June 30, 2022, the State has expended \$691.8 million, and the balance of approximately \$2.3 billion is reported as unearned revenue on the current year Statement of Net Position. ARPA funds must be obligated by December 31, 2024, and spent by December 31, 2026. Amounts allocated through the 2022 legislative session include the following initiatives:

- \$990 million to replenish the balance of the Unemployment Trust Fund (UTF) and pay unemployment benefits.
- \$750 million to award grants for repairs, improvements, and consolidation of community water and sewer systems.
- \$563 million for major transportation infrastructure projects.
- \$78 million to revive tourism in Louisiana.
- \$50 million to the port relief program.
- \$35 million to the capital outlay relief program.
- \$30 million for hurricane recovery in southwest Louisiana.
- \$27 million for early childhood behavioral health services.
- \$25 million for expanding healthcare workforce training programs.

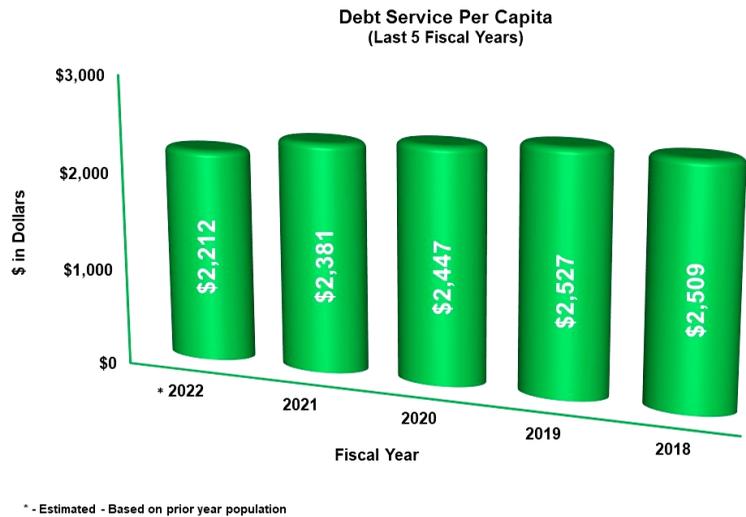


Bonded Debt

Bonds are issued to access monies today that otherwise wouldn't be collected until future periods. Issuing debt is useful in funding projects and programs today that would normally be completed over many years. However, if a government borrows too heavily, the government may have to spend a large portion of its revenues paying principal and interest on the debt, rather than providing governmental services to its citizens.

Assessing the extent to which a government has issued too much debt depends on many variables including the government's capacity to raise revenues, expenditure levels, and ability to access credit markets, and other factors. However, it's generally useful to benchmark certain debt metrics against other similar governments.

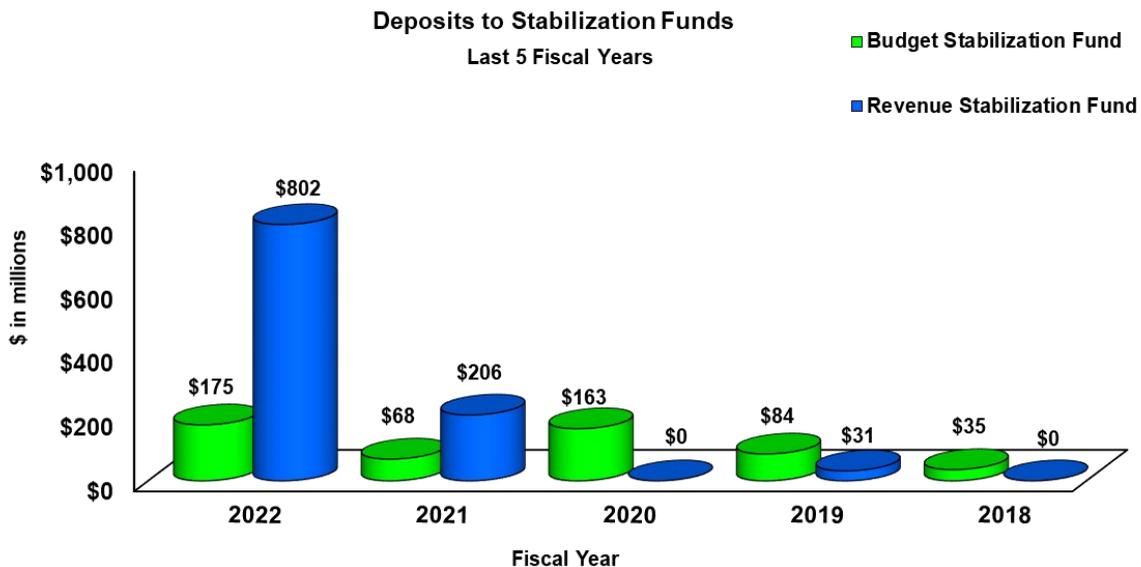
Debt per capita provides information about the debt burden placed on each citizen, who is ultimately responsible for repaying debt through taxes, fees, or other charges. According to Moody's *State Liabilities 2022* report, the median debt per capita for states was \$1,179. Of the 50 states, Louisiana has the 15th most debt per capita.



Stabilization Funds

The Budget Stabilization Fund was created in 1990 for use as a source of funding in times of declining revenues. Deposits to the fund includes excess mineral revenues, non-recurring revenues, monies in excess of the expenditure limit, investment earnings, and other monies appropriated by the legislature. For fiscal year 2022, \$175.3 million was deposited into the fund which included \$174.8 million of nonrecurring money as designated in Article VII, Section 10(D)(2) of the Constitution and \$487,000 of interest earnings. There were no expenditures from the fund in fiscal year 2022. The fund balance was \$721 million at the end of fiscal year 2022.

The Revenue Stabilization Fund was created in 2016. Deposits into the fund include revenues in excess of six hundred million dollars received each from corporate franchise and income taxes and a portion of minerals in excess of \$660 million. For fiscal year 2022, \$802 million was deposited into the fund and there were no expenditures. The balance in the Revenue Stabilization Fund was \$1 billion at the end of fiscal year 2022. Once the fund balance reaches \$5 billion, the legislature may appropriate up to 10% for capital outlay projects and transportation infrastructure. Funds may also be appropriated for emergencies at any time and for any purpose with a favorable two-thirds vote of the elected members of each house of the legislature.



Funded Percentage of Pension Liability

The State provides pensions and post-employment benefits other than pensions (referred to as OPEB and includes health and life insurance benefits) to its retirees. Defined benefit plans provide a pre-determined level of benefits for an uncertain amount of time. In the case of pensions, the State provides specified amounts to retirees until death that is predetermined by a formula based on the individual's earning history. In the case of OPEB, the State assumes the risk of paying a share of health care costs or health care premiums for retirees until death.

The State is a participating employer in seven defined benefit pension plans. Pension benefits are pre-funded. The State and participating employees contribute to the pension system while employees are in active service to pay for the pension benefits the employee is entitled to at retirement. Employee contributions are established in statute. Employer contributions are actuarially determined each year by the Public Employee Retirement System Actuarial Committee. The chart below reflects each plan's fiduciary net position as a percentage of the total pension liability.

	2022	2021	2020	2019	2018
District Attorneys' Retirement System	97%	85%	93%	93%	94%
Louisiana Clerks' of Courts Retirement System	85%	72%	78%	79%	80%
Louisiana State Employees' Retirement System	73%	58%	63%	64%	63%
Registrars of Voters Employees' Retirement System	98%	83%	85%	81%	81%
Louisiana School Employees' Retirement System	83%	70%	73%	74%	75%
Louisiana State Police Retirement System	88%	71%	74%	76%	74%
Teachers' Retirement System of Louisiana	84%	66%	69%	68%	66%

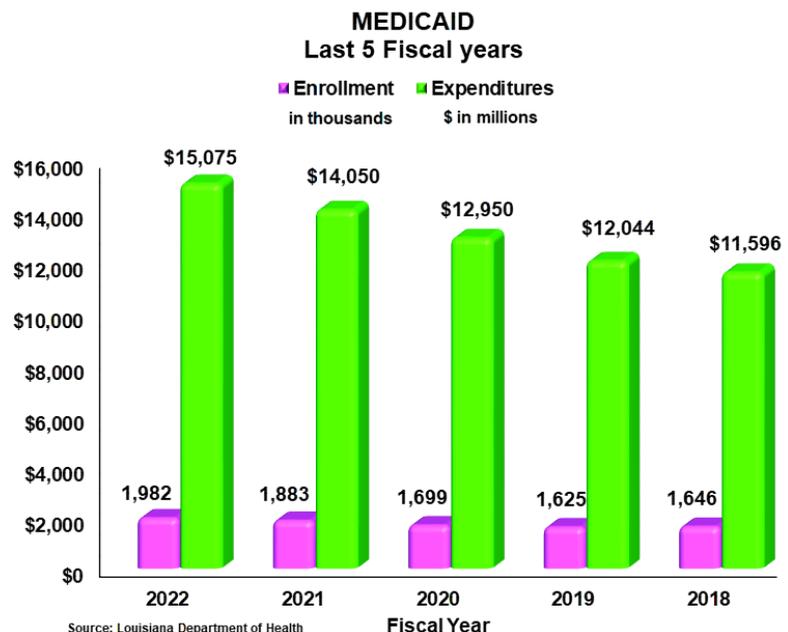
Source: 2022 ACFR - Required Supplementary Information

Medicaid

Louisiana is dedicated to providing its residents with the best social services and economic security available. Many programs and services have been established to aid individuals in need of government assistance.

Medicaid is a means-tested entitlement program that finances the delivery of primary and acute medical services as well as long-term services and is jointly funded by the federal and state governments. In fiscal year 2022, the Medicaid program provided medical services for nearly two million low-income children, pregnant women, adults, seniors, and individuals with disabilities in Louisiana. In fiscal year 2022, Medicaid program expenditures were approximately \$15 billion.

The chart on the right depicts the total number of individuals enrolled in Medicaid and the total Medicaid expenditures for the past five fiscal years. The overall enrollment in the Medicaid program and total expenditures increased by approximately 99,000 individuals and \$1 billion between fiscal years 2021 and 2022.

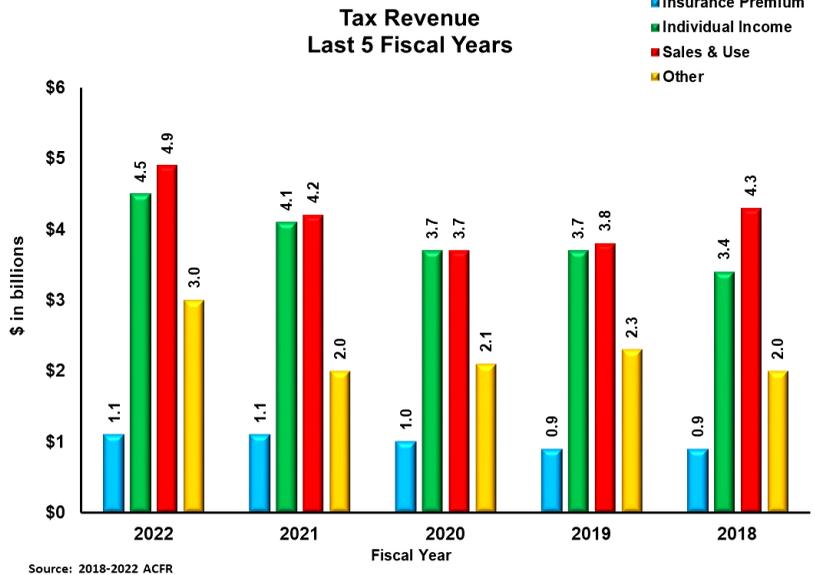


Key Economic Factors

The state's largest tax revenue streams are individual income taxes, general sales and use taxes, and insurance premium taxes. The chart on the right illustrates the trends in tax revenue over the last five fiscal years. Individual income taxes and general sales and use taxes increased by approximately \$369 million and \$715 million, respectively, between fiscal years 2021 and 2022.

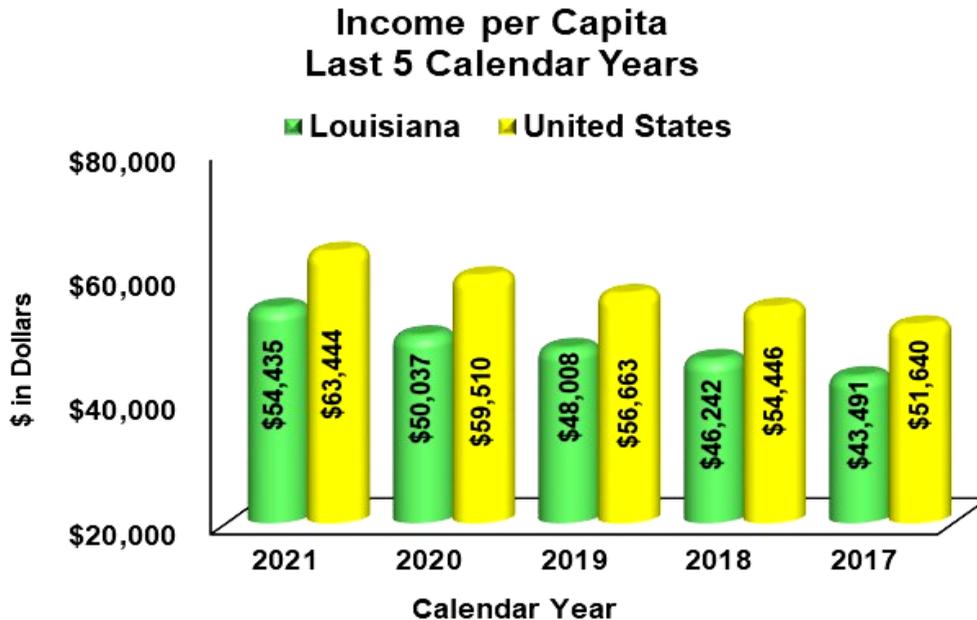
The Louisiana Sales and Use Tax Commission for Remote Sellers began collecting state and local sales and use taxes from remote sellers in fiscal year 2021. A remote seller is a seller who sells any taxable tangible personal property, products transferred electronically, or services within Louisiana but does not have a physical presence in Louisiana. The Sales and Use Tax Commission for Remote Sellers collected approximately \$477 million in fiscal year 2022 and remitted \$226 million to the State of Louisiana.

Taxes



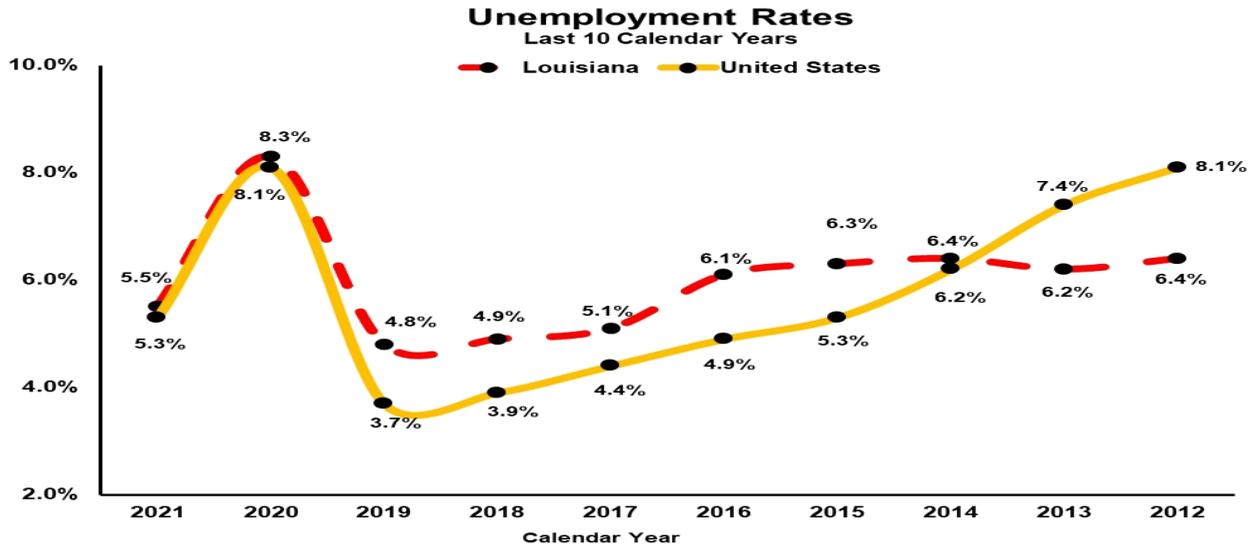
Income per Capita

Income per capita measures the average income earned per person in a given area in a specified year. Louisiana's income per capita has increased by \$4,398 since 2020. Income per capita is calculated by dividing the total income by the population. Louisiana's population decreased by 21,000 in 2021. The chart below illustrates Louisiana's income per capita compared to the U.S. income per capita.



Unemployment Rates

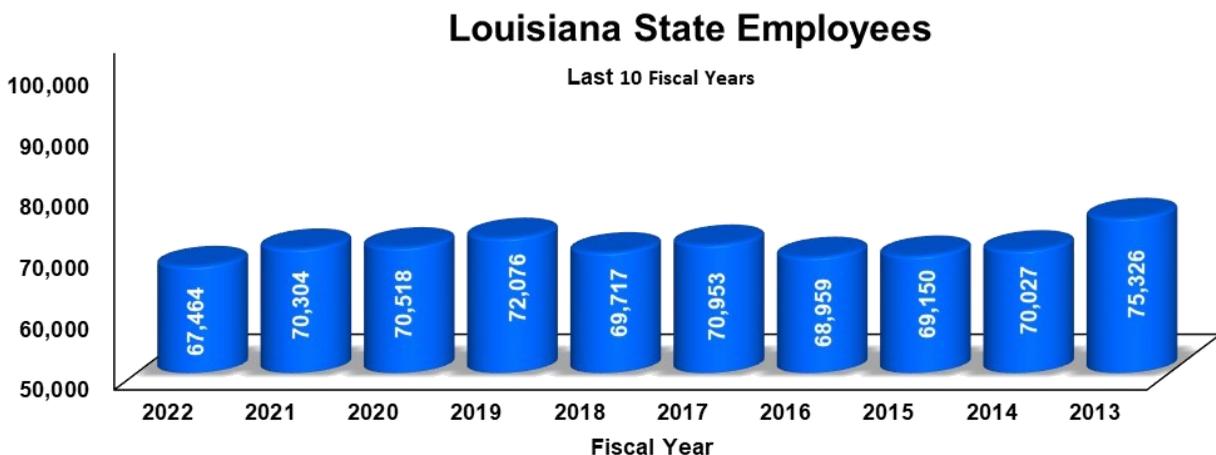
Unemployment occurs when an individual who is actively searching for employment is unable to find work. Unemployment is often a measure of the health of the economy. The most frequent measure of unemployment is the unemployment rate. Louisiana's unemployment rate decreased by 2.8% in 2021 largely due to Louisiana recovering from the impacts of the COVID-19 pandemic and two catastrophic hurricane seasons in 2020 and 2021. The line graph below depicts Louisiana's unemployment rate compared to the U.S. unemployment rate over the past 10 calendar years.



Source: 2022 ACFR & U.S. Dept. of Labor - Bureau of Labor Statistics

Number of State Employees

Louisiana employed 67,464 state civil service employees in fiscal year 2022. The total number of employees consist of 37,259 classified employees and 30,205 unclassified employees. This represented a decrease of 2,840 (4.04%) full-time positions in the fiscal year 2022 budget reflective of the nationwide trend among state governments of increasing vacancies combined with decreasing numbers of job candidates.



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This public document was published at a total cost of \$233.18. Two Hundred (200) copies of this public document were published in this first printing at a cost of \$233.18. The total cost of all printings of this document including reprints is \$233.18. This document was published by OTS-Production Support Services, 627 North 4th Street, Baton Rouge, LA 70802 for 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, 2022, under the authority of LRS 39:80(B). This material was printed in accordance with the standards for printing by state agencies pursuant to LRS 43:31. Printing of this material was purchased in accordance with the provisions of Title 43 of the Louisiana Revised Statutes.

