LOUISIANA

POPULAR ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

INTRODUCTION

The Popular Annual Financial Report (Popular Report) is prepared within six months after the close of each fiscal year end in accordance with 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 (OSRAP) website at www.doa.la.gov/osrap/cafr-2.htm.

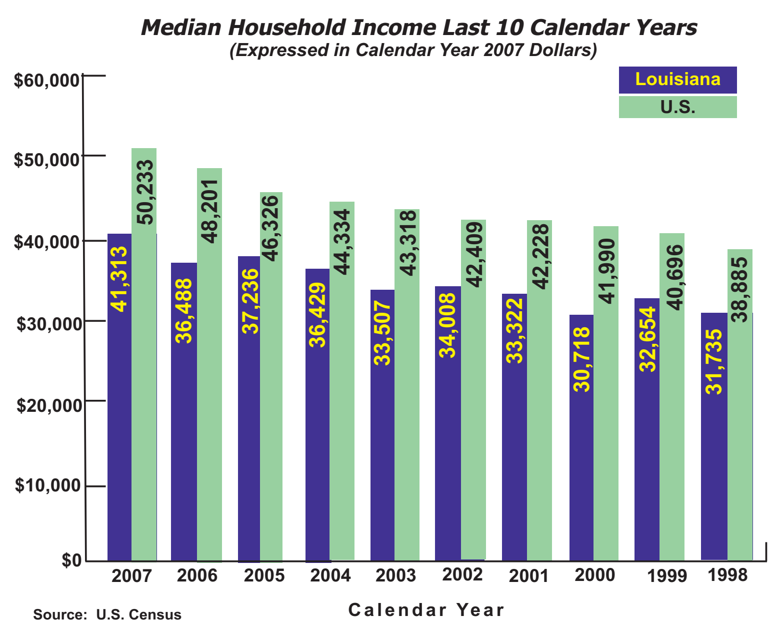
ECONOMIC OUTLOOK

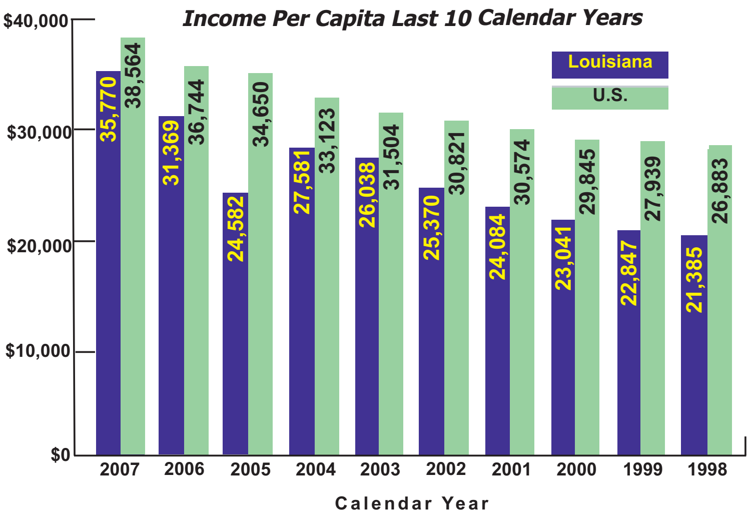
Hurricanes Katrina and Rita left indelible marks on individuals, businesses, and state and local governments when they struck in 2005. The recovery process accelerated the collection of sales taxes from people buying new appliances, new furniture, new clothes, and new vehicles; gaming revenues rose; the State's personal income tax collections rose; and oil and gas revenues also rose for fiscal years 2006 and 2007. The major concern after fiscal year 2007 was whether the revenue growth would continue, flatten out, or decline. The State's economy is always in motion, but several factors indicate that continued revenue increases should not be anticipated. These factors include (1) unrealistic expectations of the state getting a windfall from Hurricane Gustav in terms of revenue collections, (2) the weakening of oil prices, even in the aftermath of Hurricane Gustav, (3) passage by the state of several major tax cuts in the last two legislative sessions, and (4) the acknowledgment that sales tax collections from Katrina and Rita will continue to surge.

On December 15, 2008, the Revenue Estimating Conference met. It recognized that the U.S. is in a recession and that mineral prices had fallen substantially from their elevated level attained earlier this year. Consequently, the State's economic outlook has worsened, and the official revenue forecasts for both the current fiscal year and the next have been reduced significantly. The administration is addressing the anticipated budget shortfalls for both fiscal years. Even though the nation is in a recession, the State should see an overall employment growth rate of 0.1% or 1,300 jobs in 2009. By 2010, it is expected that the State will see an overall employment growth rate of 1.5% or 28,400 jobs and a real gross domestic product growth rate of 3.5%.

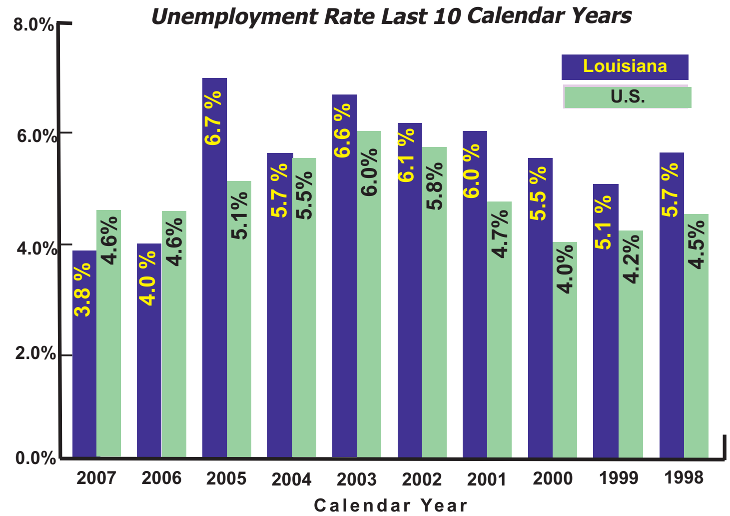
The following tables illustrate comparisons between Louisiana and the U.S. Although the State's median household income is below the national average, Louisiana experienced an increase of $4,825 (13%) during 2007 while the national average rose only $2,032 (4%). In 2007, the income per capita grew $4,401 (14%), while the national average increased by only $1,820 (5%). In addition, the State experienced its lowest unemployment rate in ten years, 3.8%.

(Excerpts taken from The Louisiana Economic Outlook: 2009-2010, by Loren C. Scott, James A. Richardson, M. Dek Terrell, and Mary Jo Neathery, published in October 2008)





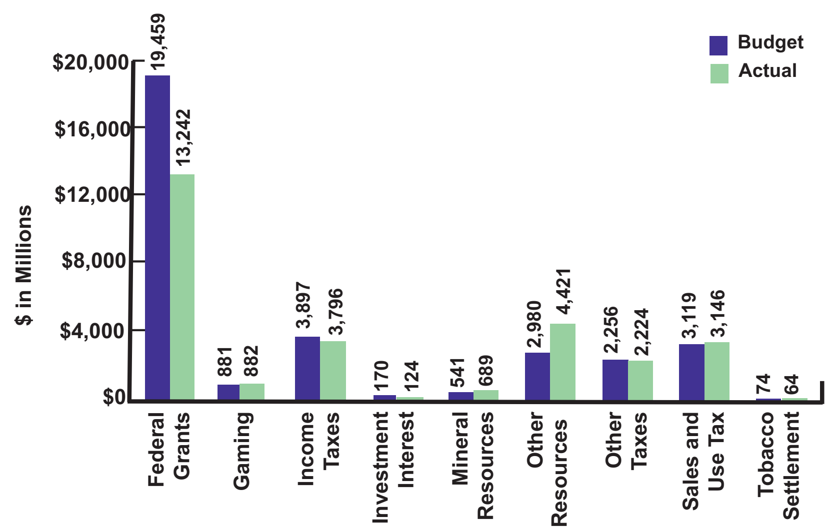
Source: 2008 CAFR & Bureau of Economic Analysis



Source: 2008 CAFR & Bureau of Labor Statistics

BUDGETARY INFORMATION

Revenues - Budget to Actual by Source of Revenue - FY 08



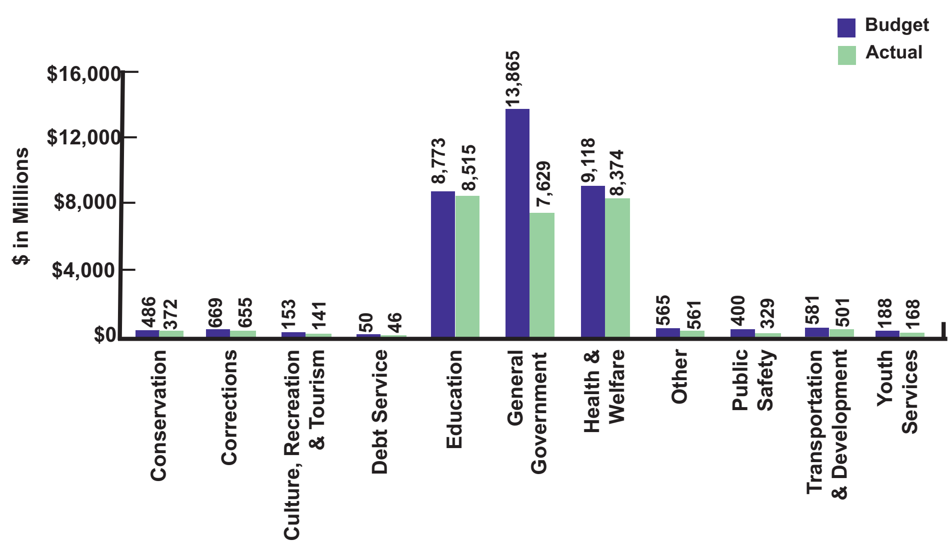
Revenues:

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 are mostly comprised of federal grants and various taxes. All budgeted funds, including the general fund, are included in the graph.

General Fund Expenditures - Budget to Actual by Function - FY 08

Expenditures:

While the revenue graph depicts the revenue budget by sources of revenue, 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.



GOVERNMENT-WIDE FINA

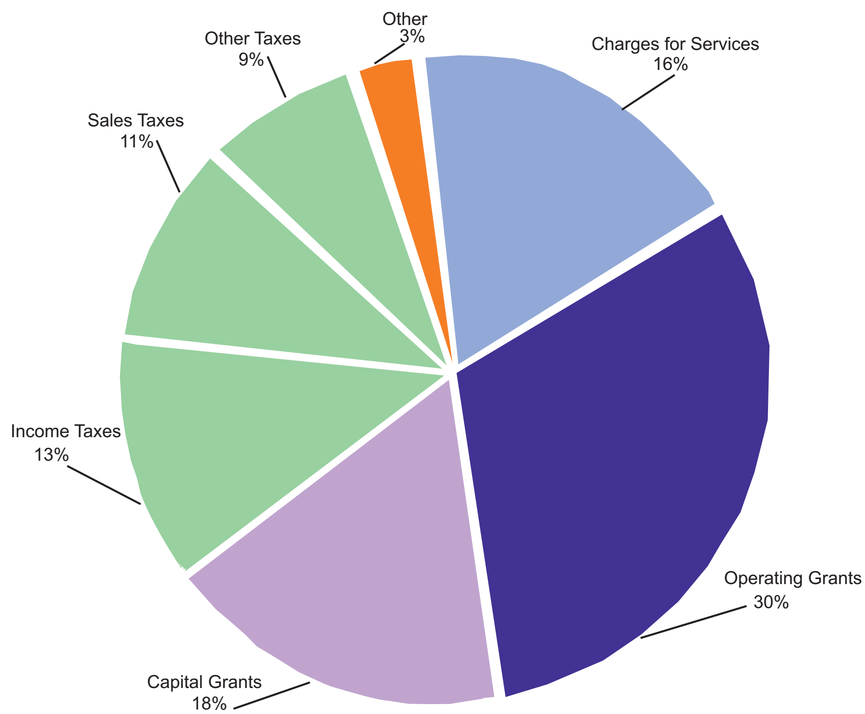
Government-wide activities provide a broad overview of the State's finances similar to private-sector accounting. The government-wide activities presented here reflect the combined financial position and operating results of the State, not including fiduciary funds (such as pension funds) or discrete component units. Discrete 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 reflect total assets of $35 billion ($2 billion more than last year) and total liabilities of approximately $14 billion (a $773 million increase). As a result, total net assets (total assets less total liabilities) equaled approximately $21 billion at June 30, 2008, which is an increase of $1 billion or 5% over the last year. The unrestricted net assets equaled $1.6 billion at June 30, 2008, which is an increase of $338 million from last year.

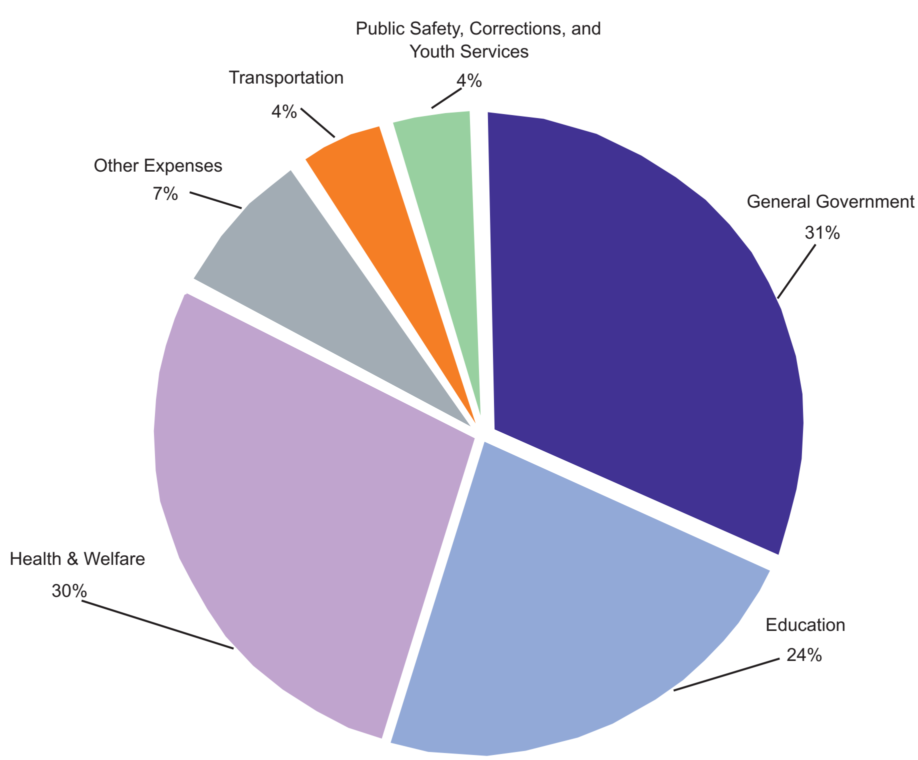
Revenues:

State revenue totaled $29.6 billion in fiscal year 2007-2008. Fund balances and other state assets were also used to support government programs. The accompanying chart shows revenue by source. Federal grants (capital and operating grants) comprised 48% of the State's revenue and were earmarked for specific purposes.

Government-Wide Revenues



Government-Wide Expenses



Expenses:

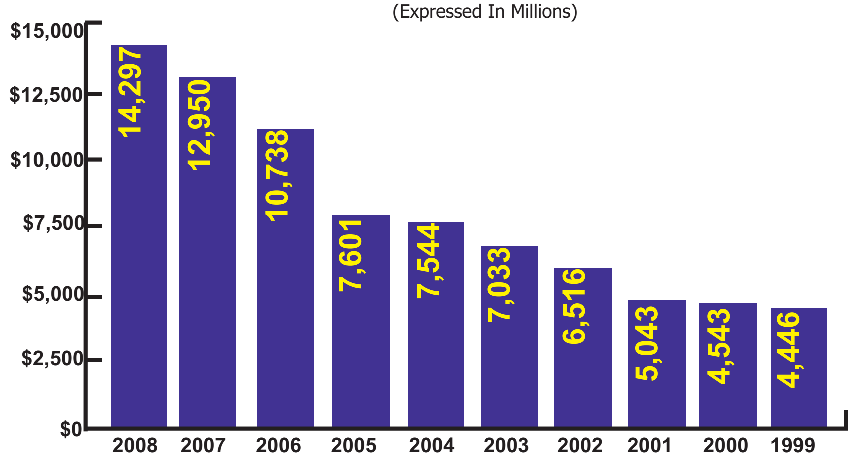
On a government-wide basis, the State spent $28.4 billion to provide services to Louisiana citizens. As depicted in the accompanying chart, general government represents the State's largest spending category accounting for 31% of the State's spending for the fiscal year. Health and welfare and education closely follow the largest spending category, accounting for 30% and 24% of the State's spending, respectively.

FEDERA

The federal government awards financial assistance to the State in the form of federal grants. Health and welfare programs have been consistently receiving the bulk of the financial assistance through federal grants, averaging $5.9 billion per year for the past five years, followed secondly by general government and third by education, with an average of $2.9 billion and $1 billion per year for the past five years, respectively. In 2005, extensive damage occurred to Louisiana as a result of Hurricanes Katrina and Rita. Since that time, the federal government has aided Louisiana in its recovery by providing additional federal grants.

Federal Grant Revenue

(Expressed In Millions)



GENERA

Total general government expenditures for fiscal year 2008 totaled $8.7 billion. Of that amount, the Division of Administration's Office of Community Development and the Governor's Office of Homeland Security and Emergency Preparedness comprised $4.9 billion and $1.1 billion of those expenditures, respectively.

The Community Development Block Grant, which is administered by the Office of Community Development, develops viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income; and the Governor's Office of Homeland Security and Emergency Preparedness is responsible for protecting the citizens of Louisiana by providing efficient and reliable communication during disaster operations, when time-sensitive information is vital for mission accomplishment.

The remaining $2.7 billion of expenditures were comprised of costs associated with economic development of the State, statewide and local elections, environmental quality across the State, worker's compensation, workforce development, and the general costs to run the State, including salaries, benefits, and retirement funding costs for state employees.

GENERA

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 $4.5 billion and obligations of $2.9 billion leave a total fund balance of $1.6 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.

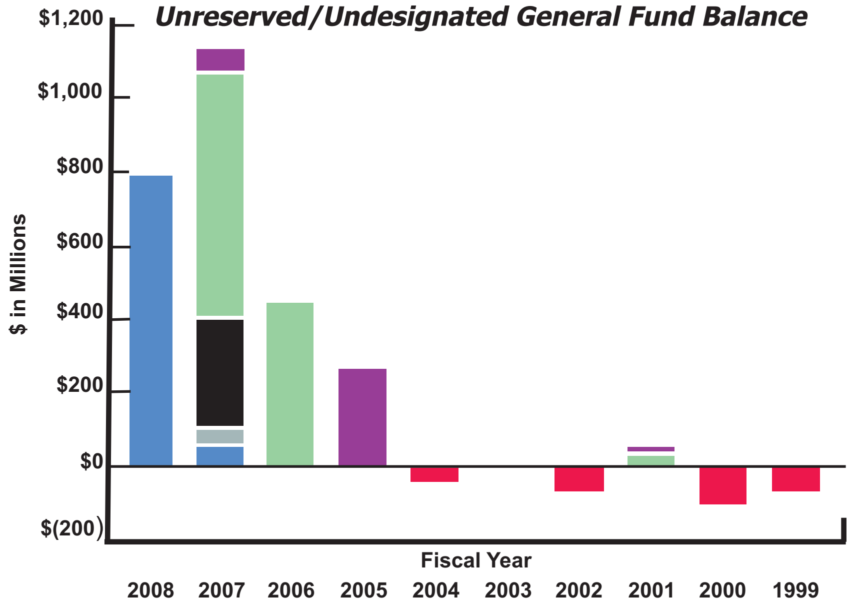
For fiscal year 2008, the total available assets exceeded the total liabilities, reservations, and designations, resulting in a surplus of $794 million, which is $364 million less than the surplus in 2007. This reduction in surplus is due primarily to a decrease in income tax and miscellaneous tax revenues for the current fiscal year.

UNRESERVED/UNDESIGNA

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, and (6) providing for new highway construction for which federal matching funds are available.

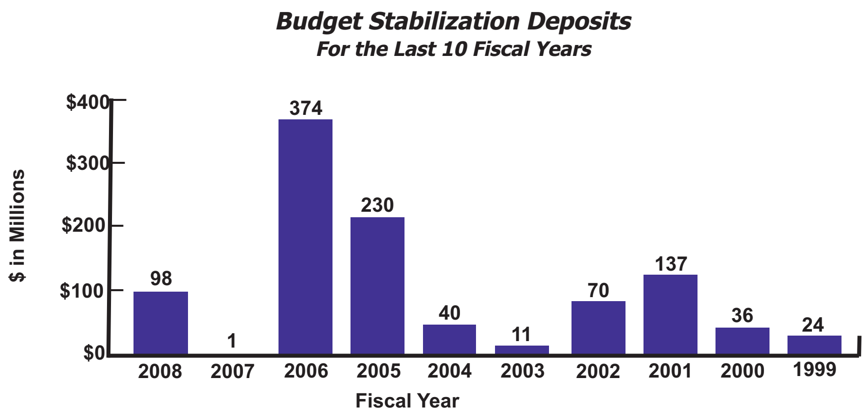
As previously mentioned, fiscal year 2008 closed with the general fund having a surplus of $794 million after some of the total fund balance was either reserved or designated. As of this printing, it is not known how this surplus will be used. The following table shows the general fund surpluses and deficits for the last 10 years and how any surpluses were spent.



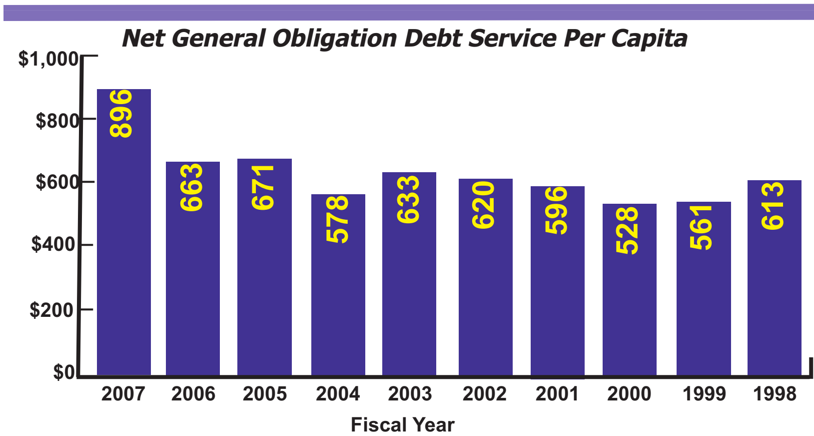
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Budget Stabilization		$73		$264				$7		
Capital Outlay		$655	$442					$20		
Coastal Restoration		$300								
Deficit					$(11)	$0	$(34)		$(81)	$(27)
Unfunded Accrued Liability		$60								
Not Used or Dedicated	$794	$70								

BUDGET STA

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 2008, $98 million in deposits were made to bring the fund balance up to $780 million. According to Louisiana Revised Statue (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 receipts for the previous fiscal year. There were no expenditures from the fund for fiscal year 2008. Since its inception, deposits have exceeded $1 billion and expenditures totaled $241 million.



STA

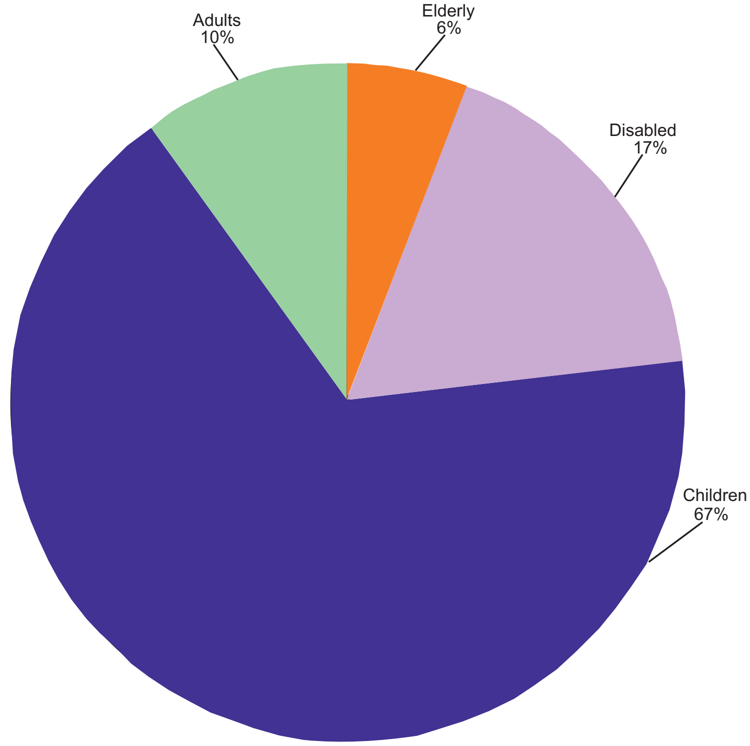


Louisiana Revised Statutes (LRS) 39:1365(25) and 39:1402(D) limit the authorization and issuance, respectively, of general obligation bonds. Good debt management has produced positive results. "Debt service per capita" is the amount the State will pay per person for the general obligation debt of the State, less amounts to be received from local governments for their portion of the debt. Based on U.S. Census Bureau population statistics, the debt service per capita for fiscal year 2007 was $896. (Fiscal year 2008 is not available due to the unavailability of the 2008 population estimate at the date of this printing.)

HEA

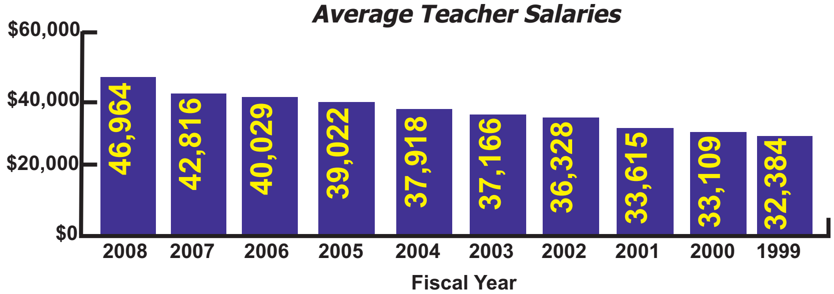
Louisiana is dedicated to providing its citizens with the best social welfare and economic security available. Many programs and services have been established to aid individuals with the need of beneficial resources from the health and welfare system. Louisiana Healthcare, which incurs much of the State's 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 almost one million Louisiana citizens during the fiscal year ended June 30, 2008. Services were provided to 53,985 elderly citizens, 155,671 disabled citizens, 91,878 adult citizens, and 612,674 Louisiana children. Investing in the health and welfare of the citizens of Louisiana will help rebuild, recover and ignite this State's economic future.

Louisiana Medicaid Enrollment By Category



EDUCA

Average Teacher Salaries



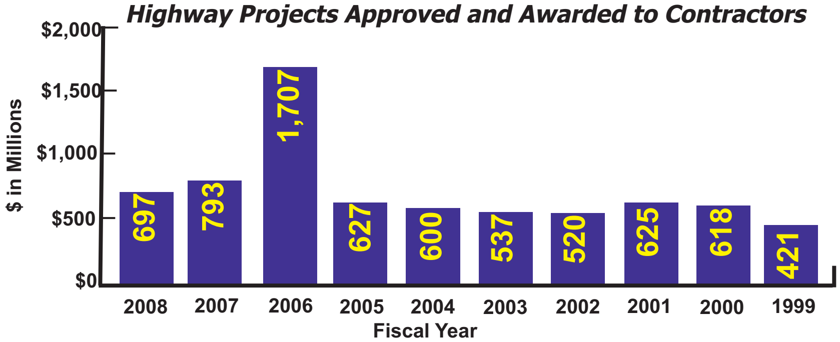
Improving Teacher Quality

As the accompanying chart depicts, teacher salaries have increased nearly $14,580 (45%) for the ten year period from fiscal year 1999 through fiscal year 2008.

For the school year ending May 2007 (the latest information available) 51.06% of the total expenditures for education in Louisiana is for instruction, 12.89% is for instructional support (pupil support programs, school administration, and instructional staff services), 19.20% is for non-instructional support (student transportation, maintenance, and business services, etc.), 5.19% is for non-instructional services (food operations, etc.), and 11.66% is for facility acquisition, construction, and debt services.

TRA

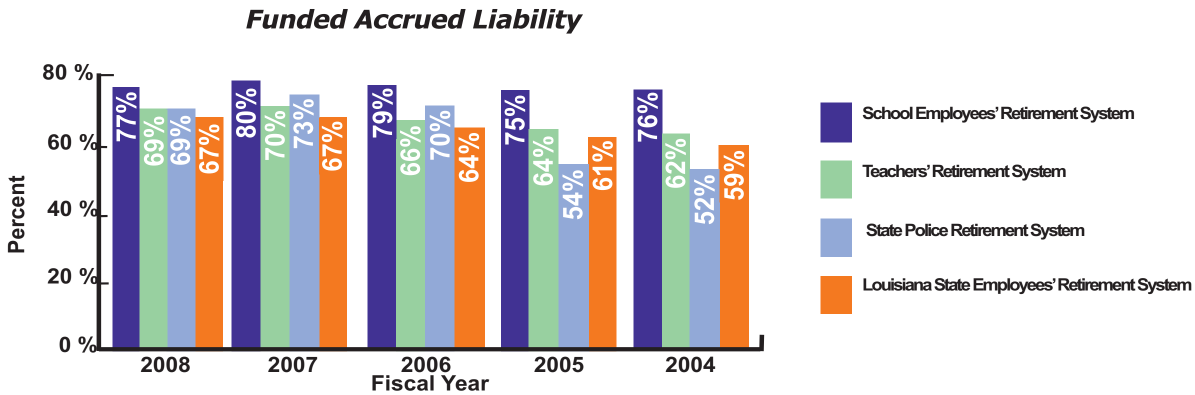
Highway Projects Approved and Awarded to Contractors



Louisiana maintains 13,157 bridges and 61,061 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 and nine of the remaining ten projects are either in final design or under construction. 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 2008 totaled approximately $1.5 billion.

For fiscal year 2008, the initiation of new projects totaled $697 million in lettings. The accompanying chart depicts the total dollars approved and awarded to contractors for highway projects for the last ten fiscal years.

RETIREMENT SYSTEM FUNDING



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. LASERS' funded percent remained constant during this fiscal year; however, the remaining three systems' funded percentages decreased during this fiscal year. These decreases are mainly due to experience losses 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.

WEBSITE A

State of Louisiana	*www.louisiana.gov*
Governor's Office	*www.gov.state.la.us*
Division of Administration	*www.doa.louisiana.gov/doa*
Office of Statewide Reporting and Accounting Policy	*www.doa.la.gov/osrap*

This public document was published at a total cost of $675.00. One Thousand (1,000) copies of this public document were published in this first printing at a cost of $0.675 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, 2008, under the authority of R.S. 39:80(B). This material was printed in accordance with the standards for printing by state agencies established pursuant to R.S. 43:31.