State of
LOUISIANA
Popular Annual Financial Report
For the Fiscal Year Ended June 30, 2023

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 2023 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, 2023 was approximately $15.4 billion. The largest portion of net position, $14.6 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 $11.0 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, the unrestricted portion of net position was a negative $10.2 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 $6.0 billion.

* A net pension liability and pension-related deferred inflows and outflows for the State's participation in various defined benefit plans of approximately $5.4 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.

* An estimated liability of $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 $6.0 billion in the current fiscal year. The following factors contributed to the changes in the State's net position:

* The State's revenues continued to outpace its expenses again in fiscal year 2023 building on the growth in net position from the prior year of $3.7 billion.

* Tax revenues increased by $1.0 billion, and other general revenues increased by $1.3 billion primarily from investment earnings (realized and unrealized) and mineral royalties.

* Operating grants and contributions, which includes federal revenues, increased $2.4 billion for governmental activities. Expenses also increased by $2.7 billion, which is directly related to the increase in federal revenues since grants are generally funded on a reimbursement basis.

* For business-type activities, the majority of the $703 million increase in net position is due to the use of $500 million in federal funds through the American Rescue Plan Act of 2021 to replenish the Unemployment Trust Fund (UTF). Tax assessments collected from employers also exceeded unemployment benefits by $72 million.

Condensed Statement of Net Position
(in thousands)
FYE 06/30/2023

Current and Other Assets	$34,976,032
Capital Assets	18,718,135
Total Assets	53,694,167
Total Deferred Outflows of Resources	2,860,074
Other Liabilities	15,282,759
Long-Term Debt Outstanding	23,297,636
Total Liabilities	38,580,395
Total Deferred Inflows of Resources	2,619,877
Net Investment in Capital Assets	14,597,354
Restricted	10,994,513
Unrestricted	(10,237,898)
Total Net Position	$15,353,969

Condensed Statement of Activities
(in thousands)
FYE 06/30/2023

Revenues	
Program Revenues:	
Charges for Services	$3,586,870
Operating Grants & Contributions	27,544,540
Capital Grants & Contributions	781,205
General Revenues:	
Income Taxes	5,830,207
Sales & Use Taxes	5,012,092
Other Taxes	3,712,392
Other	1,887,592
Total Revenues	48,354,898
Expenses	
Governmental Activities	
Health & Welfare	22,310,920
Education	8,613,977
General Government	2,742,897
Public Safety	3,372,676
Other	4,524,268
Business-Type Activities	
Higher Education	569,276
Unemployment Insurance	119,468
Other	130,488
Total Expenses	42,383,970
Net Increase (Decrease)	5,970,928
Net Position - Beginning, as Restated	9,383,041
Net Position - Ending	$15,353,969

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 $56.6 billion and liabilities and deferred inflows of resources of approximately $41.2 billion. As a result, total net position (total assets and deferred outflows of resources less total liabilities and deferred inflows of resources) equaled approximately $15.4 billion at June 30, 2023. On the Statement of Activities (Operating Statement), total revenues exceeded total expenses by $6.0 billion.
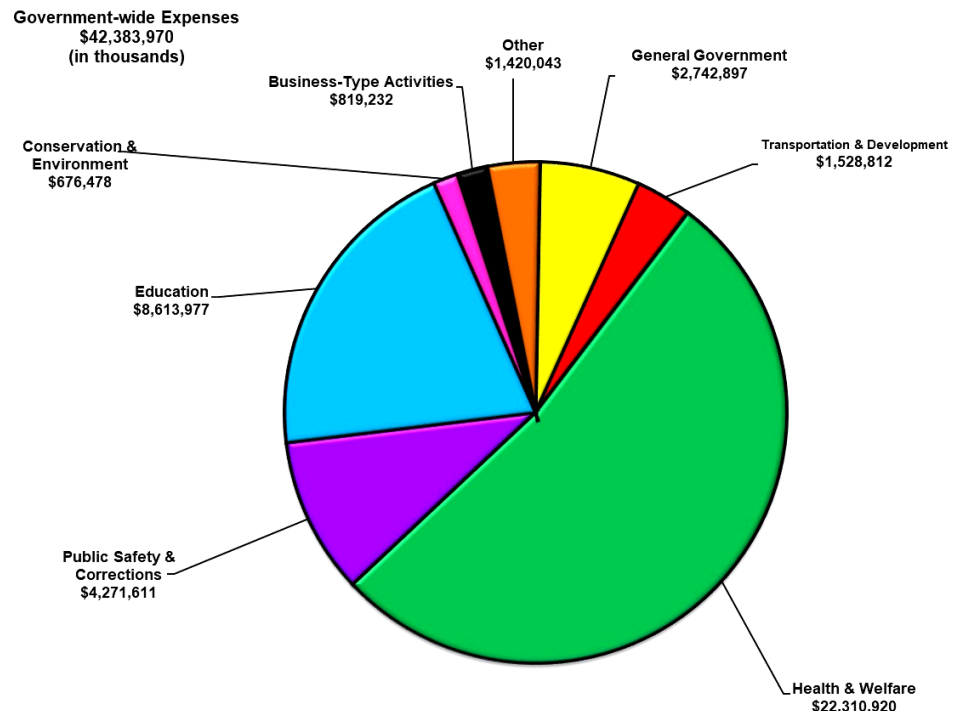
Government-Wide Revenues

State revenue totaled approximately $48.4 billion in fiscal year 2023. 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 56.9% of the State's revenue.

Government-Wide Revenues
$48,354,898
(in thousands)

Other Revenue $1,887,234

Business-Type Activities $1,299,987

Charges for Services $3,088,375

Other Taxes $4,900,087

Sales Taxes $5,012,092

Individual Income Taxes $4,642,512

Federal Capital Grants $750,658

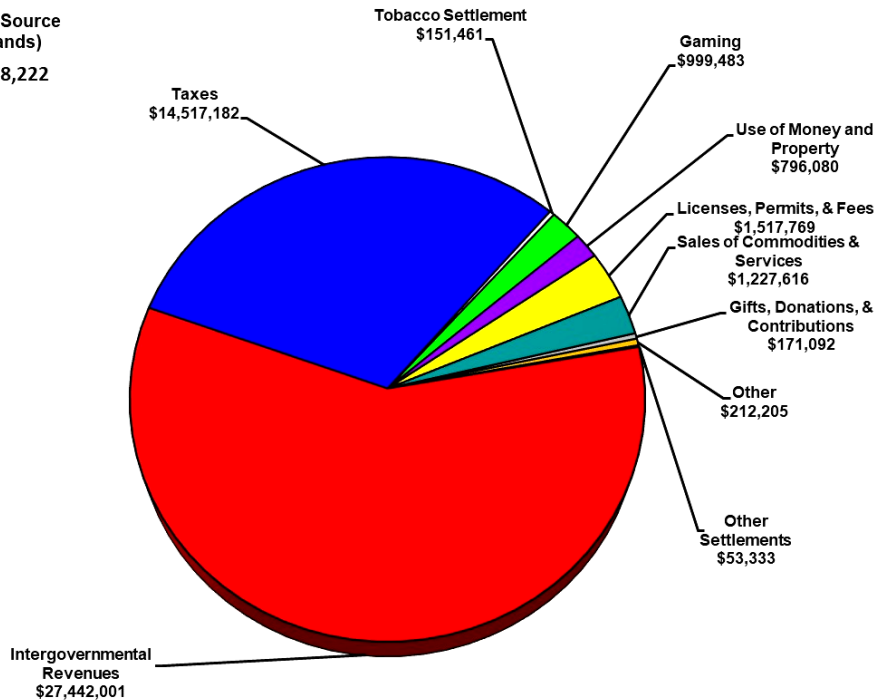Federal Operating Grants $26,773,953

Government-Wide Expenses

On a government-wide basis, the State expended approximately $42.4 billion. As depicted in the accompanying chart, health and welfare, education, and public safety and corrections, represent the State's largest spending categories.

Government-wide Expenses
$42,383,970
(in thousands)

Other $1,420,043

General Government $2,742,897

Business-Type Activities $819,232

Transportation & Development $1,528,812

Conservation & Environment $676,478

Education $8,613,977

Public Safety & Corrections $4,271,611

Health & Welfare $22,310,920
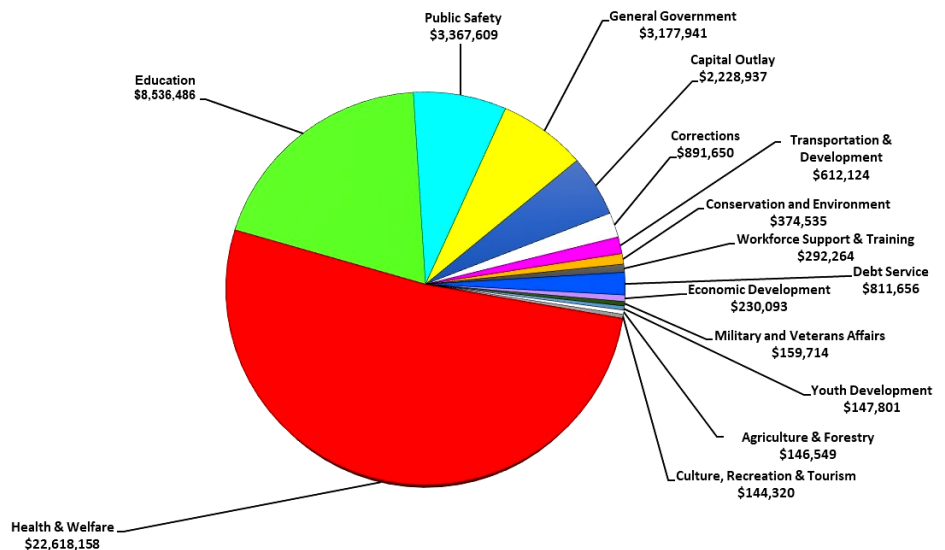
Governmental Funds

During fiscal year 2023, 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 $47,088,222

Tobacco Settlement $151,461
Gaming $999,483
Use of Money and Property $796,080
Licenses, Permits, & Fees $1,517,769
Sales of Commodities & Services $1,227,616
Gifts, Donations, & Contributions $171,092
Other $212,205
Other Settlements $53,333
Taxes $14,517,182
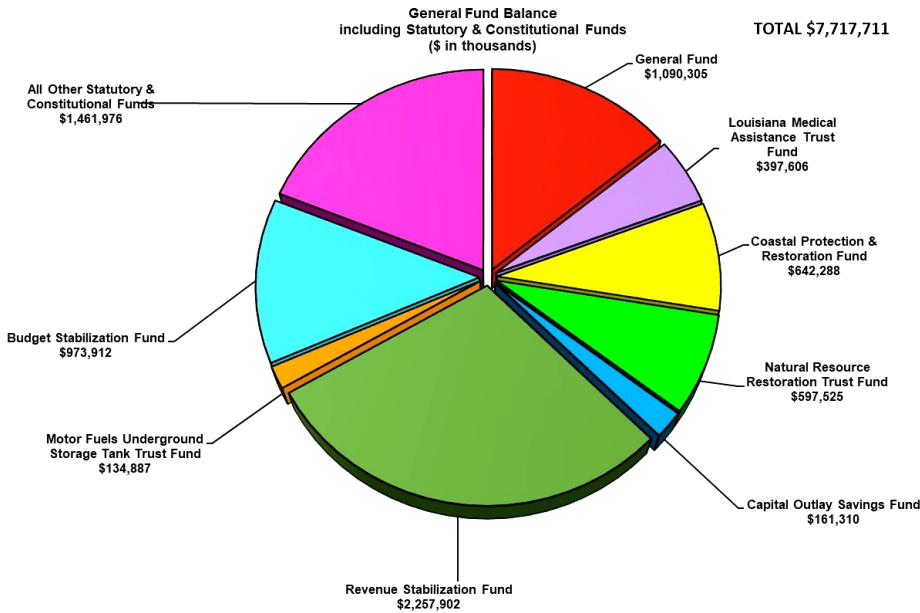Intergovernmental Revenues $27,442,001

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 $43,739,837

Public Safety $3,367,609
General Government $3,177,941
Capital Outlay $2,228,937
Corrections $891,650
Transportation & Development $612,124
Conservation and Environment $374,535
Workforce Support & Training $292,264
Debt Service $811,656
Economic Development $230,093
Military and Veterans Affairs $159,714
Youth Development $147,801
Agriculture & Forestry $146,549
Culture, Recreation & Tourism $144,320
Education $8,536,486
Health & Welfare $22,618,158

General Fund Balance Sheet

General Fund Balance including Statutory & Constitutional Funds ($ in thousands)

TOTAL $7,717,711

General Fund
$1,090,305

All Other Statutory & Constitutional Funds
$1,461,976

Louisiana Medical Assistance Trust Fund
$397,606

Coastal Protection & Restoration Fund
$642,288

Budget Stabilization Fund
$973,912

Natural Resource Restoration Trust Fund
$597,525

Motor Fuels Underground Storage Tank Trust Fund
$134,887

Capital Outlay Savings Fund
$161,310

Revenue Stabilization Fund
$2,257,902

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, 2023, the General Fund had assets of $23 billion and liabilities and deferred inflows of $15.3 billion, leaving a total fund balance of $7.7 billion. Of this balance, $6.6 billion is comprised of statutorily dedicated funds as shown on the chart to the left.
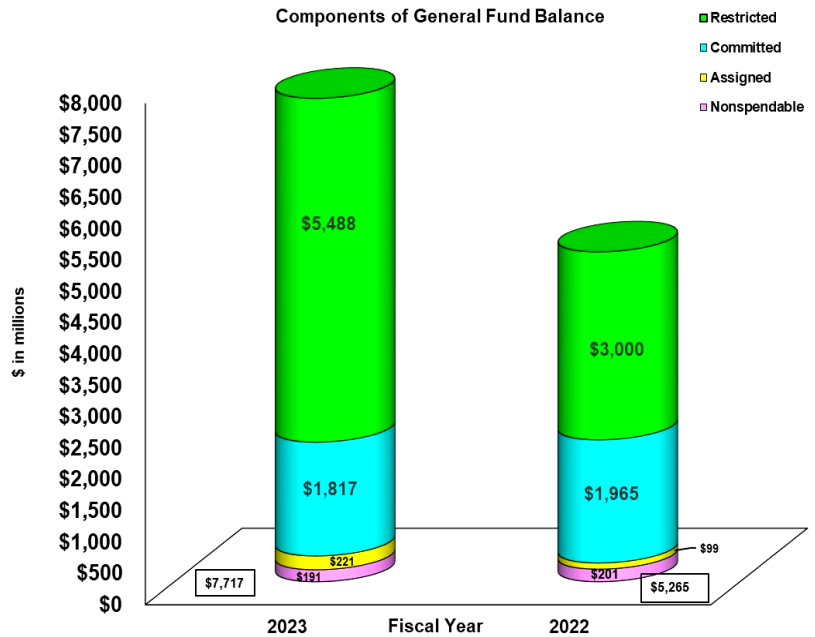
Governmental Accounting Standards Board (GASB) Statement No. 54 revised fund balance categories to focus on the extent to which the government is bound to honor constraints on the specific purposes for which fund sources can be used. The accompanying chart depicts the four fund categories of the General 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.
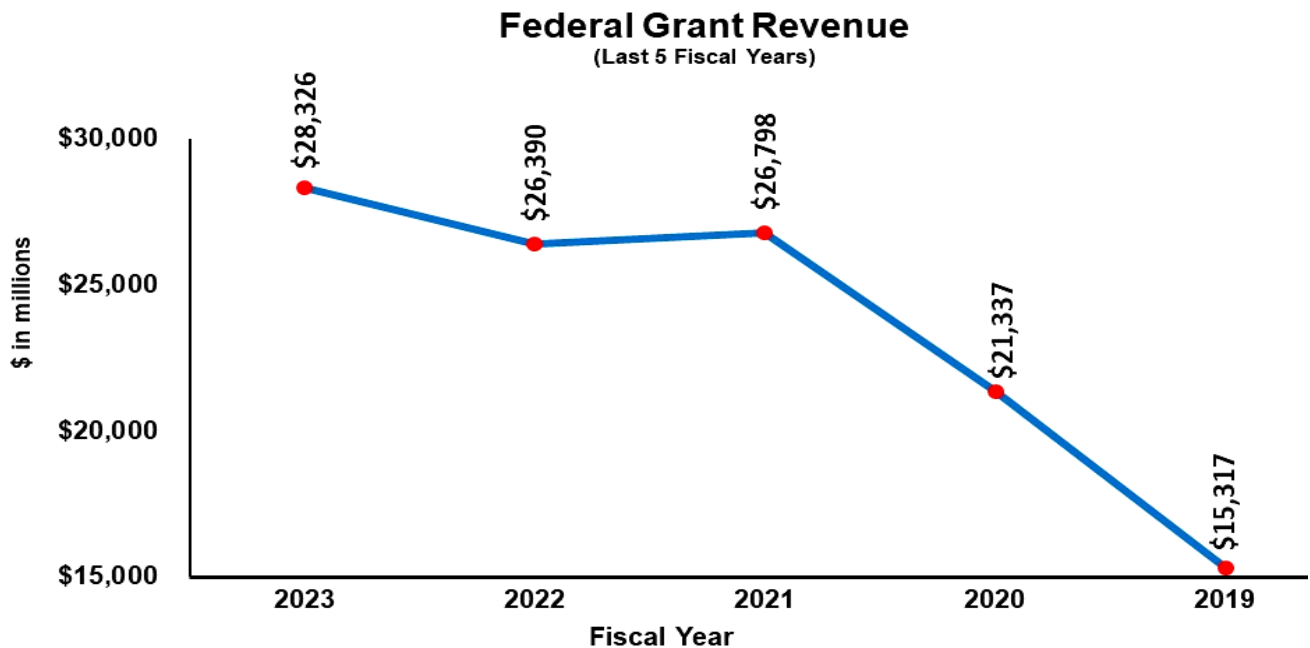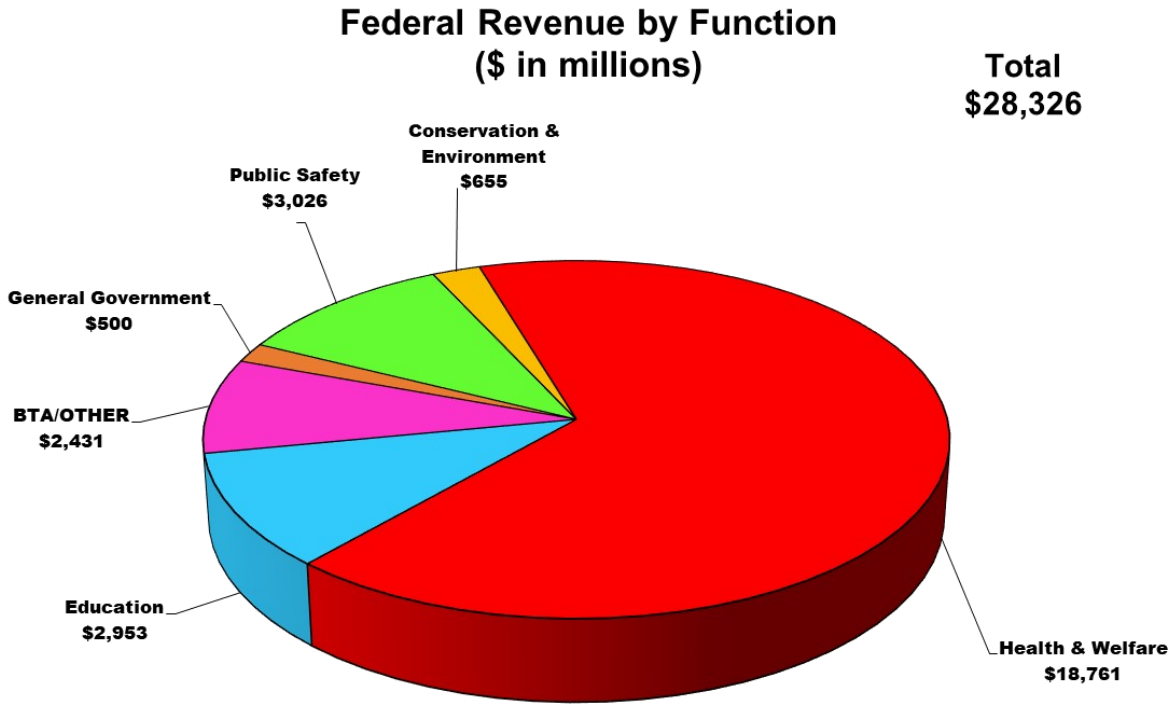
Assigned Fund Balance - amount intended to be used for specific purposes and is usually created by the Joint Legislative Committee on the Budget's approvals of year-end encumbrance roll-overs into the subsequent fiscal year.

Components of General Fund Balance

Legend: Restricted, Committed, Assigned, Nonspendable

$ in millions

2023:
- $5,488 (Restricted)
- $1,817 (Committed)
- $221 (Assigned)
- $191 (Nonspendable)
- $7,717

2022:
- $3,000 (Restricted)
- $1,965 (Committed)
- $99 (Assigned)
- $201 (Nonspendable)
- $5,265

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, 2023, total grant revenue was approximately $28.3 billion with health and welfare programs receiving $18.8 billion followed by public safety and education each receiving $3.0 billion. Various other state departments received the remaining $3.5 billion.

Federal revenues increased $1.9 billion between fiscal years 2022 and 2023. The increase was largely due to the Medicaid program administered by the Louisiana Department of Health, disaster relief programs administered by the Governor's Office of Homeland Security and Emergency Preparedness, and education programs administered by the Louisiana Department of Education.

Federal Revenue by Function
($ in millions)

Total
$28,326

- Conservation & Environment $655
- Public Safety $3,026
- General Government $500
- BTA/OTHER $2,431
- Education $2,953
- Health & Welfare $18,761

Federal Grant Revenue
(Last 5 Fiscal Years)

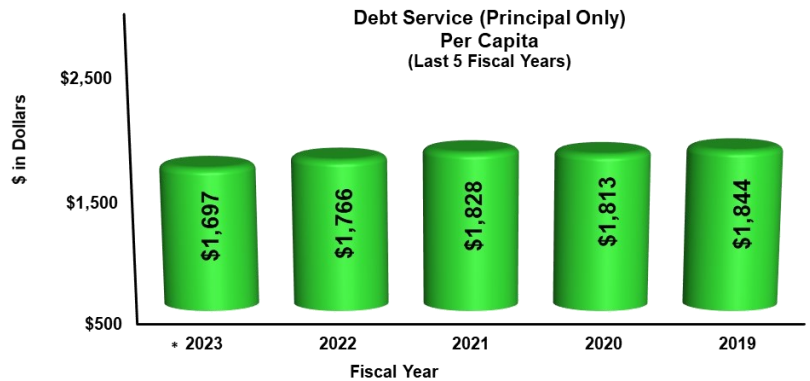| Fiscal Year	$ in millions
2023	$28,326
2022	$26,390
2021	$26,798
2020	$21,337
2019	$15,317

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 2023* report, the median debt per capita for states was $1,178. Of the 50 states, Louisiana has the 14th most debt per capita.
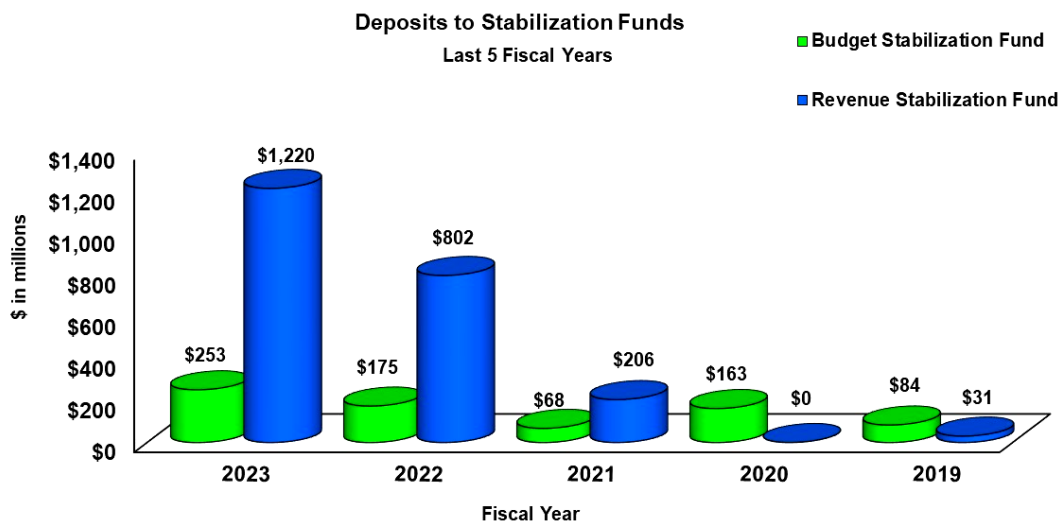
Debt Service (Principal Only)
Per Capita
(Last 5 Fiscal Years)

$ in Dollars

* 2023	2022	2021	2020	2019
$1,697	$1,766	$1,828	$1,813	$1,844

Fiscal Year

* Estimated - Based on prior year population

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 include 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 2023, $253 million was deposited into the fund which included $181 million of nonrecurring money, $71 million of excess mineral revenues, and $1 million of interest in accordance with Article VII, Section 10.3 of the Constitution. There were no expenditures from the fund in fiscal year 2023. The fund balance was $974 million at the end of fiscal year 2023.

The Revenue Stabilization Fund was created in 2016. Deposits into the fund include revenues in excess of $600 million dollars received each fiscal year from corporate franchise and income taxes and a portion of mineral revenues in excess of $660 million. For fiscal year 2023, $1.2 billion was deposited into the fund, and there were no expenditures. The fund balance was $2.3 billion at the end of fiscal year 2023. 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.

Deposits to Stabilization Funds
Last 5 Fiscal Years

■ Budget Stabilization Fund

■ Revenue Stabilization Fund

$ in millions

Fiscal Year	Budget Stabilization Fund	Revenue Stabilization Fund
2023	$253	$1,220
2022	$175	$802
2021	$68	$206
2020	$163	$0
2019	$84	$31

Fiscal Year

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.

Funded Percentage of Pension Liability
Last 5 Fiscal Years

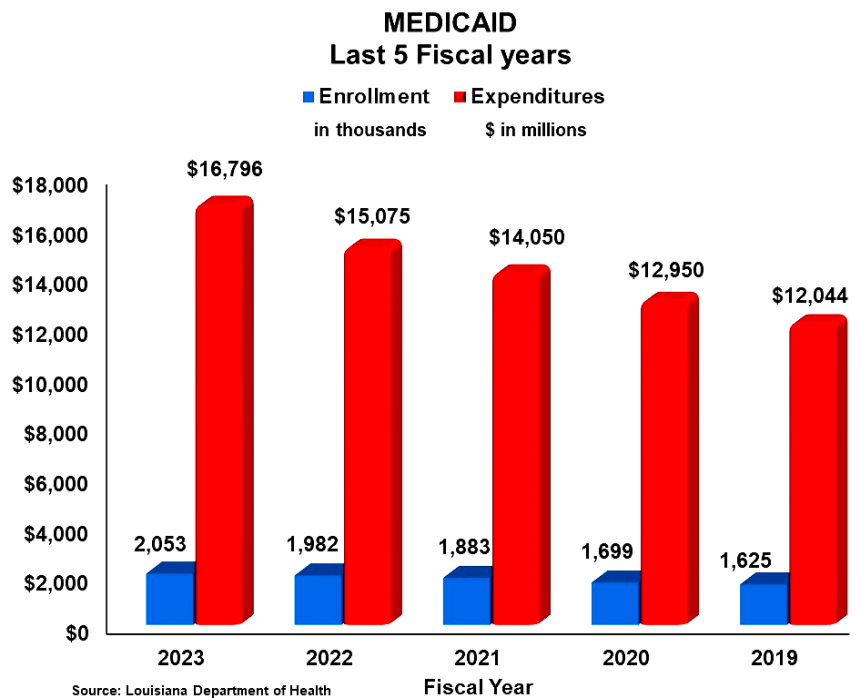|	2023	2022	2021	2020	2019
District Attorneys' Retirement System	82%	97%	85%	93%	93%
Louisiana Clerks' of Courts Retirement System	74%	85%	72%	78%	79%
Louisiana State Employees' Retirement System	64%	73%	58%	63%	64%
Registrars of Voters Employees' Retirement System	82%	98%	83%	85%	81%
Louisiana School Employees' Retirement System	76%	83%	70%	73%	74%
Louisiana State Police Retirement System	73%	88%	71%	74%	76%
Teachers' Retirement System of Louisiana	72%	84%	66%	69%	68%

Source: 2023 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 2023, the Medicaid program provided medical services for approximately two million low-income children, pregnant women, adults, seniors, and individuals with disabilities in Louisiana. In fiscal year 2023, Medicaid program expenditures were approximately $16.8 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 71,000 individuals and $1.7 billion between fiscal years 2022 and 2023.
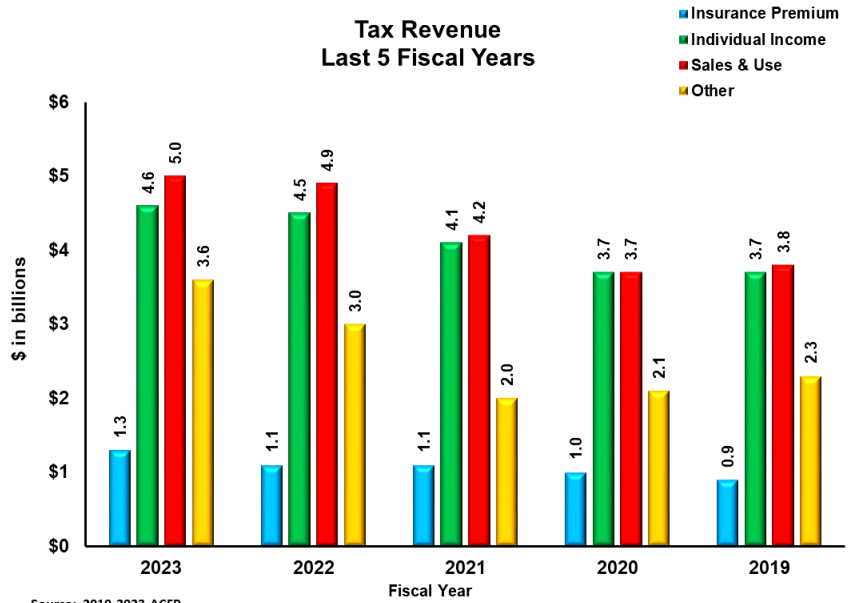
MEDICAID
Last 5 Fiscal years

Enrollment (in thousands) ■ Expenditures ($ in millions)

Fiscal Year	Enrollment	Expenditures
2023	2,053	$16,796
2022	1,982	$15,075
2021	1,883	$14,050
2020	1,699	$12,950
2019	1,625	$12,044

Source: Louisiana Department of Health

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. Insurance premium taxes and individual income taxes increased by approximately $180 million and $169 million, respectively, between fiscal years 2022 and 2023. Other taxes increased by $580 million largely due to increases in severance taxes and corporate income taxes of $378 million and $174 million, respectively.

The amount of tax revenue collected by the Louisiana Sales and Use Tax Commission for Remote Sellers has continued to increase since its inception in fiscal year 2021. The Commission collected approximately $547 million in fiscal year 2023, a 14.7% increase from the prior fiscal year, and remitted $245 million to the State of Louisiana.
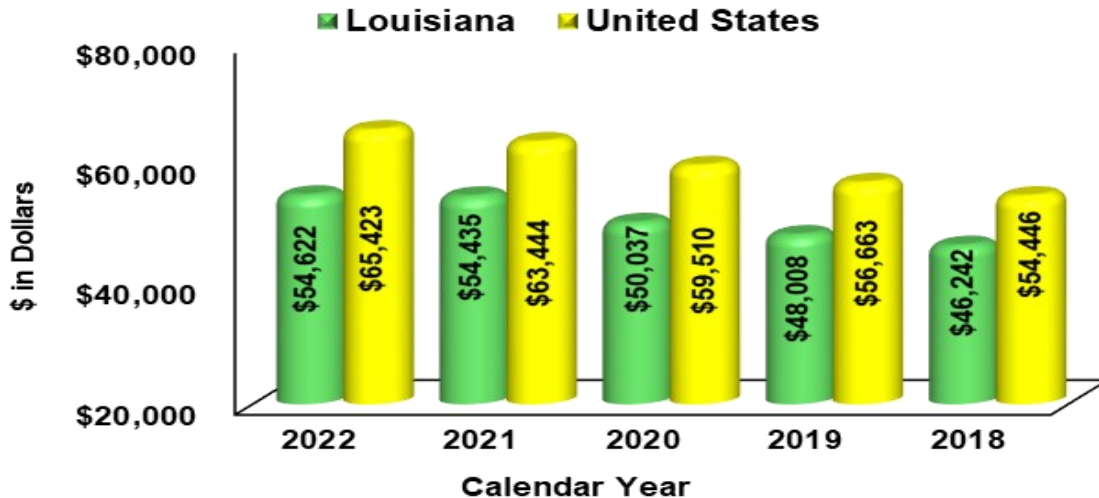
Taxes

Tax Revenue
Last 5 Fiscal Years

Legend:
- Insurance Premium
- Individual Income
- Sales & Use
- Other

Fiscal Year	Insurance Premium	Individual Income	Sales & Use	Other
2023	1.3	4.6	5.0	3.6
2022	1.1	4.5	4.9	3.0
2021	1.1	4.1	4.2	2.0
2020	1.0	3.7	3.7	2.1
2019	0.9	3.7	3.8	2.3

($ in billions)

Source: 2019-2023 ACFR

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 $187 since 2021. Income per capita is calculated by dividing the total income by the population. Louisiana's population decreased by 34,000 in 2022. The chart below illustrates Louisiana's income per capita compared to the U.S. income per capita.
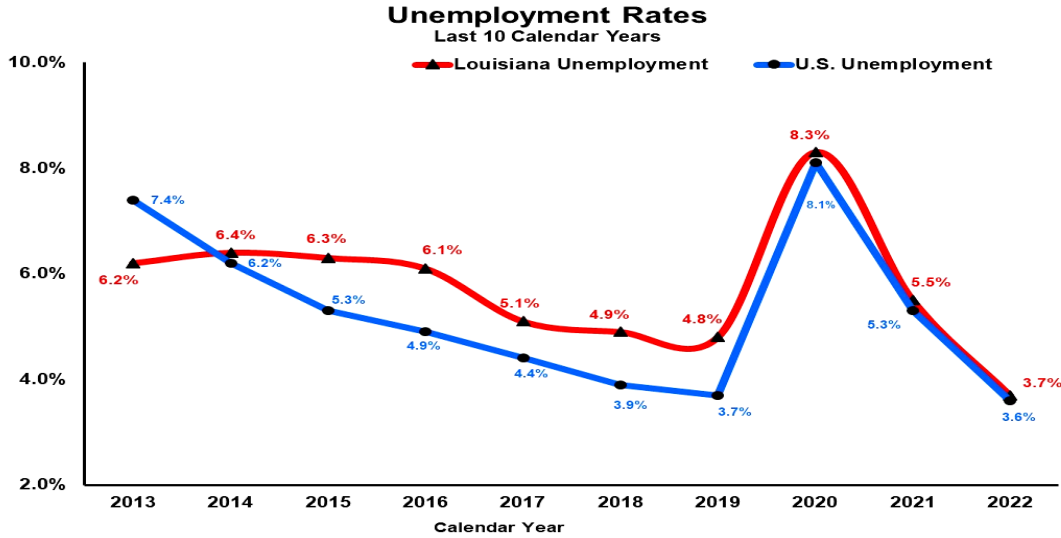
Income per Capita
Last 5 Calendar Years

Calendar Year	Louisiana	United States
2022	$54,622	$65,423
2021	$54,435	$63,444
2020	$50,037	$59,510
2019	$48,008	$56,663
2018	$46,242	$54,446

($ in Dollars)

Source: 2023 ACFR & Bureau of Economic Analysis
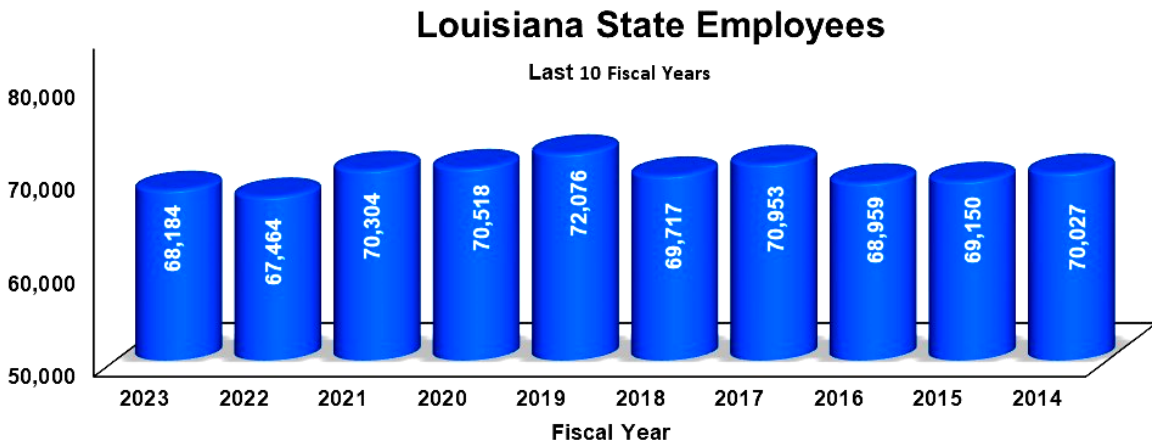
Unemployment Rates

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 1.8% in 2022 largely due to the ongoing recovery from the impacts of the COVID-19 pandemic and the 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.

Unemployment Rates
Last 10 Calendar Years
— Louisiana Unemployment   — U.S. Unemployment

Source: 2023 ACFR & U.S. Dept. of Labor - Bureau of Labor Statistics

Number of State Employees

Louisiana employed 68,184 state civil service employees in fiscal year 2023. The total number of employees consist of 38,262 classified employees and 29,922 unclassified employees. This represented an increase of 720 (1.07%) positions in the fiscal year 2023 budget.

Louisiana State Employees
Last 10 Fiscal Years

Fiscal Year	Employees
2023	68,184
2022	67,464
2021	70,304
2020	70,518
2019	72,076
2018	69,717
2017	70,953
2016	68,959
2015	69,150
2014	70,027

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Division of Administration
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