

Bobby Jindal  
Governor



Angele Davis  
Commissioner of Administration

STATE OF LOUISIANA

## Credit Rating Agency Presentation

September 23, 2009

Angele Davis  
Commissioner of Administration



STATE OF LOUISIANA



### Overview

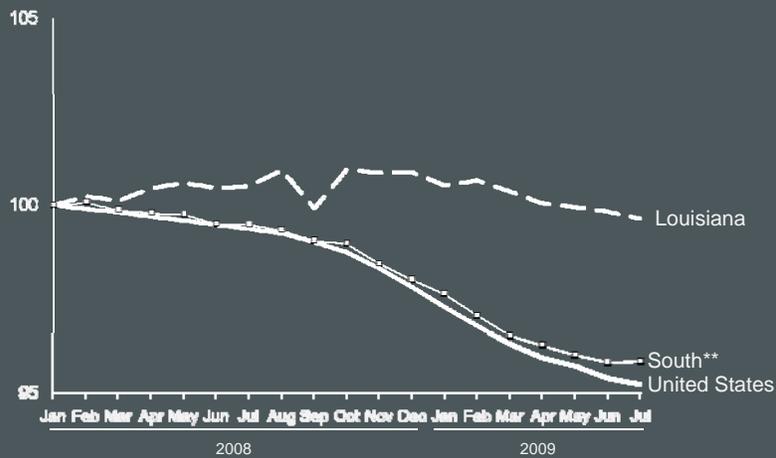
- Louisiana's Economic Strengths
- General Fund Budget Data
- Hurricane Recovery Update
- Proactive Fiscal Reforms



# Louisiana's Economic Strengths

## LOUISIANA'S EMPLOYMENT\* LEVELS HAVE OUTPACED THE REST OF THE COUNTRY

Total nonfarm, seasonally-adjusted employment\* (100=January 2008)

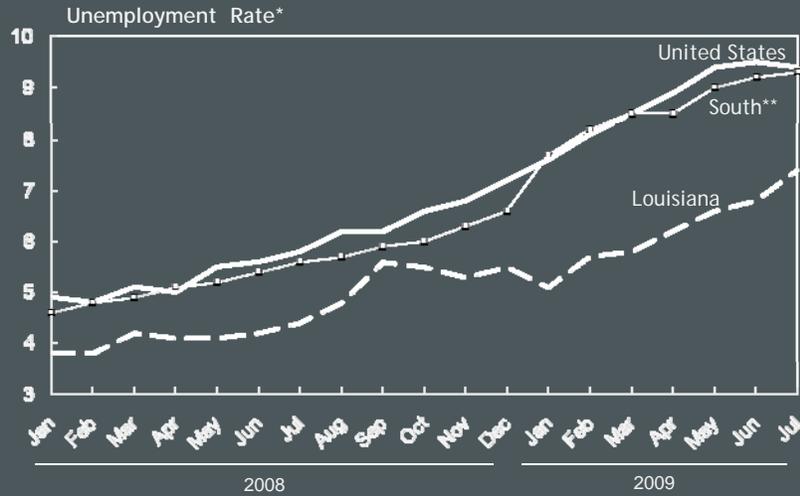


\* July 2009 figures are preliminary

\*\* Based on aggregate of SREB states (Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)

Source: BLS; LED analysis

**LOUISIANA'S UNEMPLOYMENT RATE HAS REMAINED BELOW THAT OF THE U.S. AND SOUTH SINCE THE START OF THE NATIONAL RECESSION**



\* Seasonally adjusted; July 2009 figures are preliminary  
 \*\* Based on weighted average of SREB states (Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia)  
 Source: BLS; LED analysis

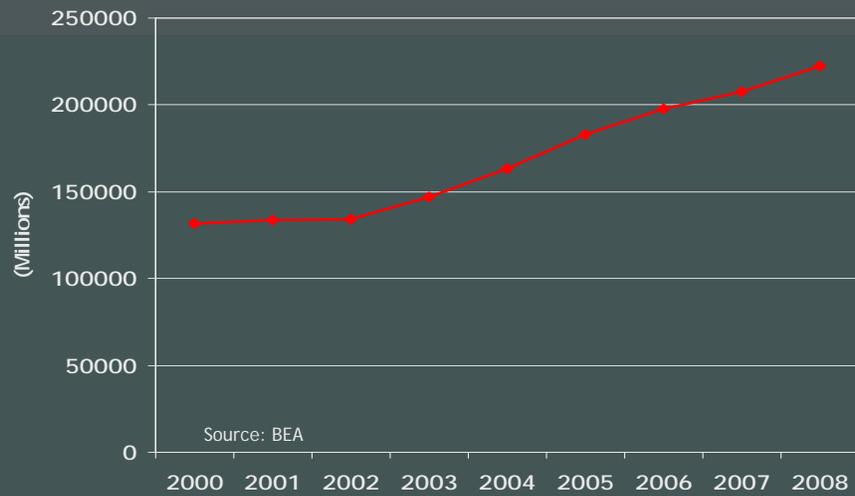




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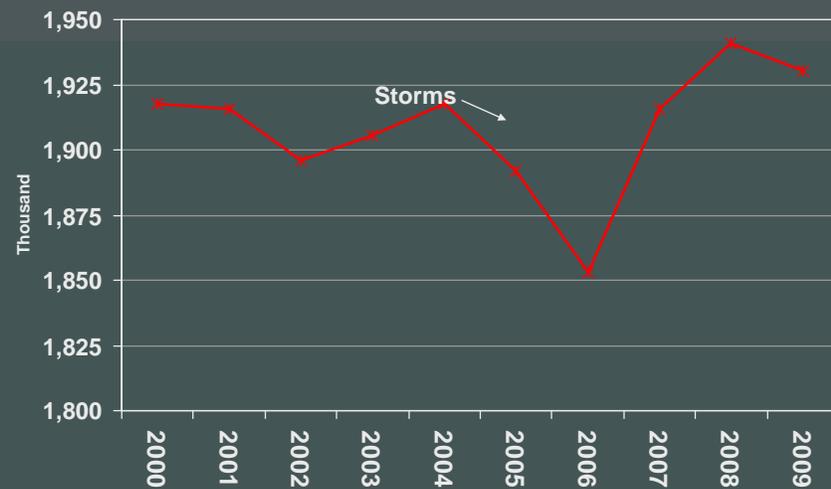
## State Domestic Product (nominal)



STATE OF LOUISIANA



## Louisiana Employment (non-agricultural)

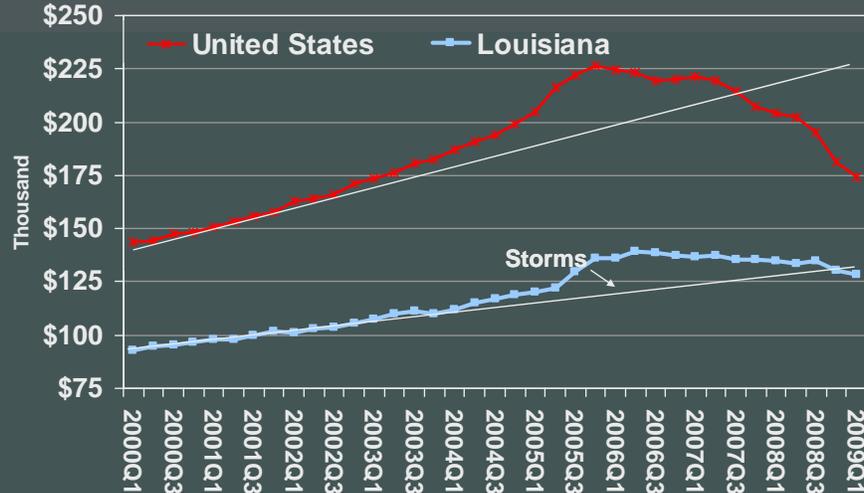


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## Median Existing Home Price

National Association of Realtors



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## Louisiana Named Southern Economic Development "Co-State of the Year" for 2009

- Along with Tennessee, beat out 15 other states in the South in the annual *Southern Business & Development* magazine's rankings
- New Orleans was named Major Market of the Year after receiving Honorable Mention in 2007 and 2008
- Baton Rouge Mid-Market of the Year for 2009 following up its Honorable Mention ranking in 2008
- Terrebonne Parish recognized for landing projects that will have a positive impact on the local economy
- "Over the last three years no state in the South has performed better than Louisiana." – *SB&D*
- "Louisiana has come a long way since the mid-1990s. Back then, we remember a couple of years when the biggest job deals were new Wal-Mart stores...Those days are gone, replaced by a Louisiana economy that is as vibrant as any in the South." – *SB&D*

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## Louisiana Economic Outlook Ranked 18<sup>th</sup> Out of 50 States

- American Legislative Exchange Council study, released in August, ranked Louisiana's economic outlook 18<sup>th</sup> out of 50 states — up from 21<sup>st</sup> in the same study's prior year's assessment
- Ranked Louisiana number one, or tied for number one, in the nation for the categories of: "Recently Legislated Tax Changes," "Right-to-Work" laws and "Estate/Inheritance Tax Levied"
- Ranked Louisiana in the top ten in the nation for "Property Tax Burden" rates and "Number of Tax or Expenditure Limits"
- Ranked Louisiana 11<sup>th</sup> for "Top Marginal Personal Income Tax Rate" and 12<sup>th</sup> in the category of "Top Marginal Corporate Income Tax Rate."

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## Louisiana Ranked #1 in Nation in Index of State Economic Momentum

- The Index of State Economic Momentum, developed by *State Policy Reports* and published by Federal Funds Information for States (FFIS), ranked Louisiana as the top state in the nation for the second quarter of 2009.
- The Index ranks states based on their most recent performance in three key measures of economic vitality: personal income growth, employment growth and population growth.
- Louisiana ranked 5<sup>th</sup> state in the nation in personal income growth between the first quarter of 2008 and the same period in 2009.
- Louisiana ranked 3<sup>rd</sup> in the nation in employment from June 2008 to June 2009.
- Louisiana ranked 23<sup>rd</sup> in the nation in population growth between July 2007 and December 2008.
- While not a component of the Index, the report also ranked Louisiana 9<sup>th</sup> in the nation for unemployment rate and 12<sup>th</sup> in the nation in change of house prices.

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## National and regional rankings have reflected improvements in business climate

- Ranked #1 in the Center for Public Integrity (CPI) legislative financial disclosure ranking released in June 2009 (up from #44 in 2008)
- Ranked #27 in Pollina Corporate Top 10 Pro-Business States in June 2009 (up from #40 in 2008)
- Ranked #7 in terms for growth in high-tech employment by Tech America's Cyberstates report in March 2009



## Recent Business Development Wins

PROJECT EXAMPLES – NOT COMPREHENSIVE

Company	Project description	Location	New direct jobs	Capital investment (\$MM)
Shaw	Nuclear modular mfg. / corporate HQ retention	Lake Charles / B.R.	2,900	100.0
V-Vehicle Co.	Auto manufacturer	Monroe	1,400	248.0
U.S. Air Force	Global Strike Command	Bossier City	1,000	57.0
LaShip - Edison Chouest	Shipyard project	Terrebonne Parish	1,000	100.0
SNF Floerger	Petrochemical plant	Iberville Parish	512	350.0
Gardner Denver Thomas, Inc.	Industrial manufacturing	Monroe	232	--

**\$4.3 billion in business investment announced in 2008 and 2009**  
**32,529 total new jobs created (11,887 direct jobs and 20,642 indirect jobs)**



## Near-Term Business Development Prospects

Approximately 51 prospects including:

- 8,765 new direct jobs
- 7,287 retained jobs
- \$5.4 billion in capital investment



PROJECT EXAMPLES – NOT COMPREHENSIVE

## Targeting High-Growth, Emerging Industries

Description of illustrative project	Significance
<b>Nuclear energy manufacturing</b> <ul style="list-style-type: none"> <li>• The Shaw Group will manufacture modules for nuclear power plants in Lake Charles</li> <li>• After manufacturing and assembly, modules will be shipped to work sites globally</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity for Louisiana to participate in global nuclear power renaissance</li> </ul>
<b>Digital interactive media</b> <ul style="list-style-type: none"> <li>• Electronic Arts (EA) will build a first-of-its-kind global quality assurance center in Baton Rouge</li> <li>• Partnership between EA, Louisiana Economic Development, and Louisiana State University</li> </ul>	<ul style="list-style-type: none"> <li>• Only significant expansion undertaken by EA in 2008</li> <li>• Opportunity to establish competitive advantage in rapidly growing market</li> </ul>
<b>Advanced manufacturing</b> <ul style="list-style-type: none"> <li>• V-Vehicle announced plans to build a high-quality, fuel efficient car in Monroe</li> <li>• Will expand existing facility formerly owned by Guide Corp.</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to revolutionize the domestic automobile industry</li> <li>• Backed by reputable investment team including Kleiner Perkins and T. Boone Pickens</li> </ul>
<b>Value-added agribusiness</b> <ul style="list-style-type: none"> <li>• Zagis USA will build two Greenfield textile mills in Jefferson Davis Parish</li> <li>• Project will eventually utilize Louisiana agricultural products</li> </ul>	<ul style="list-style-type: none"> <li>• Opportunity to ship value-added Louisiana agricultural products vs. raw materials</li> <li>• Access to export markets and infrastructure will result in low production costs</li> </ul>

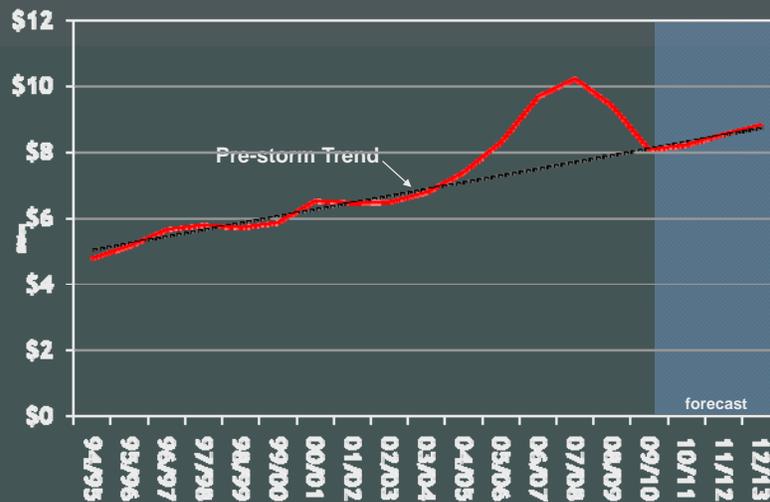
Additionally, the State of Louisiana is currently cultivating a number of major prospects in these segments



# General Fund Budget Data



## State General Fund Revenue





## Fiscal Year 2008

Ending Cash Balance Surplus of \$865.6 Million:

- \$231.85 M in state road and bridge projects
- \$24 M for port improvements
- \$290 M in coastal restoration and hurricane protection
- \$98.4 M higher education capital outlay construction
- \$85 M to upgrade the Louisiana Superdome during the 2010 and 2011 off-seasons (New Orleans will host the 2013 Super Bowl.)
- \$10 M for upgrades to the Shriner's Hospital
- \$7.5 M for emergency shelter capacity

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## Fiscal Year 2009

- Enacted Budget of \$9.7 Billion
- Mid-year forecast reduced by \$341 Million
- Revenues reduced:
  - Corporate: \$87 Million
  - Individual income: \$42 Million
  - Sales: \$135.8 Million
  - Mineral: \$124 Million

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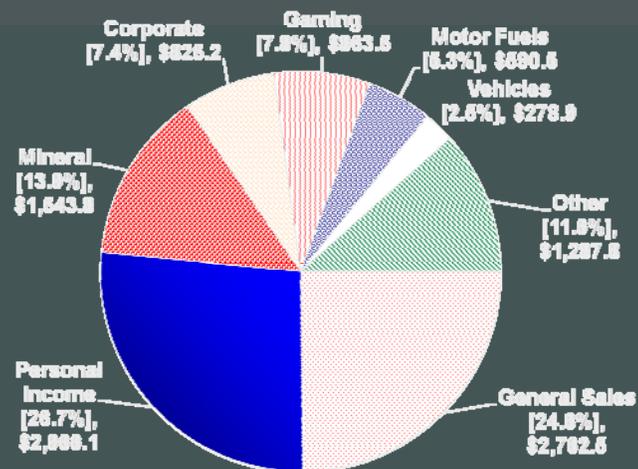
## Fiscal Year 2009

### Major Mid-Year Expenditure Reductions

DHH	-\$112,590,386
Higher Education	-\$51,641,001
DSS	-\$20,210,476
Youth Service	-\$11,155,145
Department of Education	-\$11,093,565
Corrections	-\$10,472,107

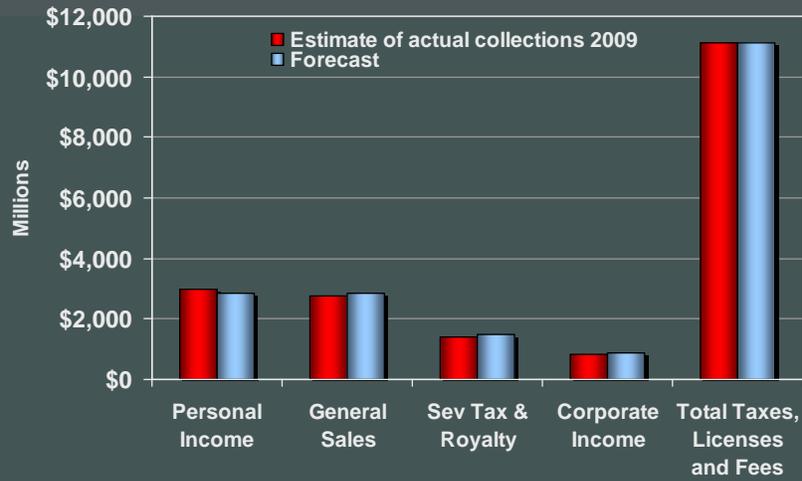


## FY 2008/09 Actual Revenue





### FY 2008/09 Actual Collections vs. Forecast



### Fiscal Year Surpluses





## Fiscal Year 2010

**General Fund Budget of \$8.059 Billion—  
Reduction of \$1.276 Billion from prior year**  
(Revenues in millions)

	Fiscal Year 2009	Fiscal Year 2010	Difference
Personal Income	2925.2	2557	-368.2
Sales	2830.2	2613.5	-216.7
Corporate Income	775.5	517.2	-258.3
Mineral	1608.4	1216.1	-392.3



## Responsible FY 10 Budget

- First, we preserved the Mega Fund to continue attracting more economic development wins to our state and create more jobs for our people.
- Second, we did not raise taxes on our business or our people, and instead worked to make government live within its means.
- Third, we took a conservative approach in utilizing \$86 Million from the state's rainy day fund so it is available to help us meet future budget challenges—especially in FY 12.
- Fourth, we designated use of stimulus funds over two years.



# Fiscal Year 2010

	(millions)
General Fund	\$8,059.900
Carry Forward BA-7s	\$33.650
Act 226 Transfer of \$13.5m from Rapid Response Fund	\$13.500
Act 226 Transfer of \$75.6m from Insure LA Incentive Program Fund	\$75.587
Act 226 Transfer of \$3.9m from Incentive Fund	\$3.900
Act 122 Transfer of \$86.17m from Budget Stabilization Fund "Rainy Day Fund"	\$86.177
Act 478 Tax Credits	(\$8.000)
Act 20 Use of FY 07-08 Surplus	\$782.290
<b>Total Available General Fund</b>	<b>\$9,047.004</b>



# Stimulus Policy

- In order to prepare responsibly for future years, instead of utilizing all the Federal money at once, **the use of these dollars will be spread over a two-year period.**
- Agencies that are impacted by federal stimulus funding in FY10 and/or FY11 must develop transition plans or policy changes to address the loss of federal funds in FY11 or FY12. **Agencies should not consider budget stimulus funds as though they are a permanent source of revenue.**
- Avoid using stimulus funds to start new programs or hire additional permanent employees.
- Agencies should closely track all restrictions and any matching provisions that must come from state funds.
- Agencies must ensure that they follow both federal and state procurement and contracting laws, and have proper contract monitoring procedures in place.
- Federal Stimulus funds that will be disbursed to sub recipients must be reviewed by the primary state agency recipient to ensure that the funds are passed through only to entities that have a demonstrated need and proper internal controls and reporting procedures in place.



## Stimulus Funds

	FY 10 (millions)	FY 11 (millions)
Federal Medical Assistance Percentage (FMAP)	\$541.9	\$300.8
State Fiscal Stabilization Fund – Education Grant		
- Higher Education	\$189.7	\$264.0
- MFP	\$100.3	\$25.5
State Fiscal Stabilization Fund – “Flex” Grant	\$64.5	\$64.5
Department of Social Services Grants	\$55.3	\$55.3
Workforce Development	\$30.5	\$0
State Energy Program (DNR)	\$42.7	\$42.8
LA Commission on Law Enforcement Grants	\$22.4	\$0
Education – Title I	\$378.7	\$0
Other	\$14.5	\$3.9

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## Fiscal Year 2010

### General Fund Expenditure Reductions

DHH	-\$608,179,741
Higher Education	-\$159,063,726
Dept of Education	-\$158,788,365
Other Education	-\$135,308,321
Corrections	-\$39,541,241
CRT	-\$36,319,080
Secretary of State	-\$35,107,440
DSS	-\$31,722,094

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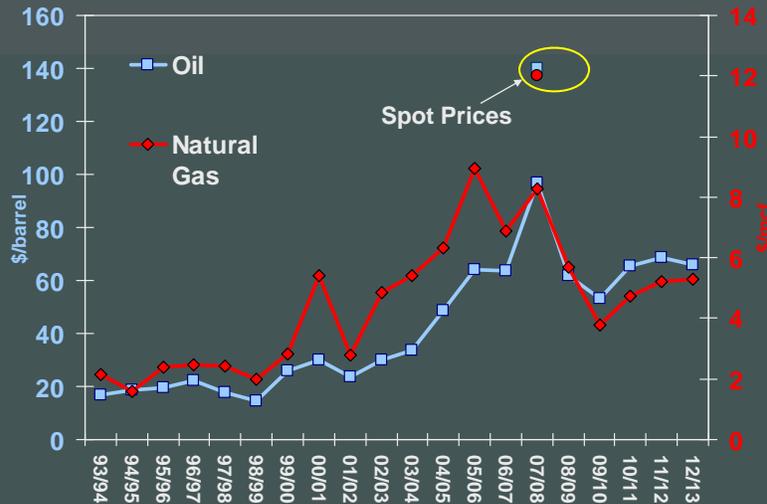
# Fiscal Year 2010

## Total Means of Finance Changes

		% of Total
DHH	-\$240,693,773	-2.94%
Economic Development	-\$185,587,298	-67.57%
Higher Education	-\$56,418,926	-2.01%
Corrections	-\$45,495,169	-8.37%
CRT	-\$21,591,173	-18.82%
Secretary of State	-\$16,473,656	-18.13%
Other Ed	\$26,356,874	7.71%
DSS	\$112,325,547	10.02%
Dept of Ed	\$317,226,967	6.23%



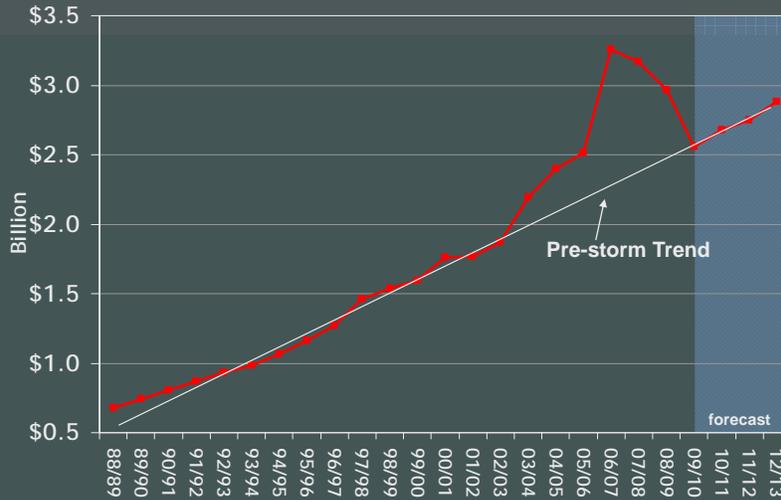
# Forecast Energy Prices



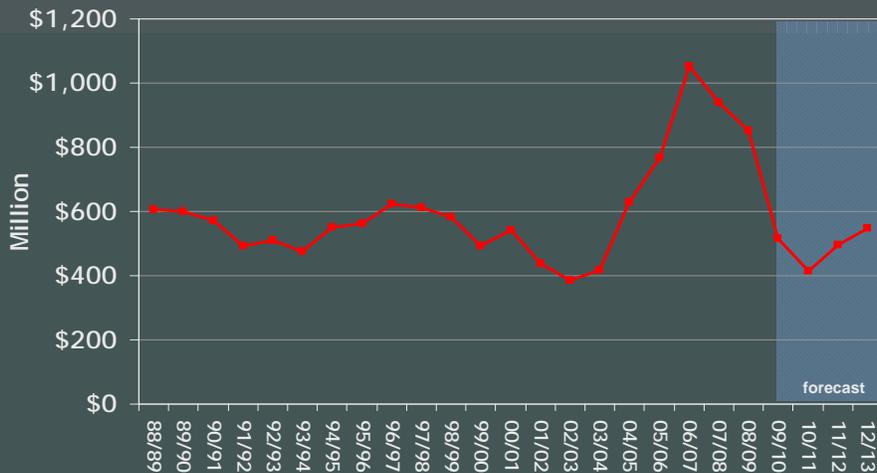
Source: REC May 2009 Forecast



## Individual Income Tax

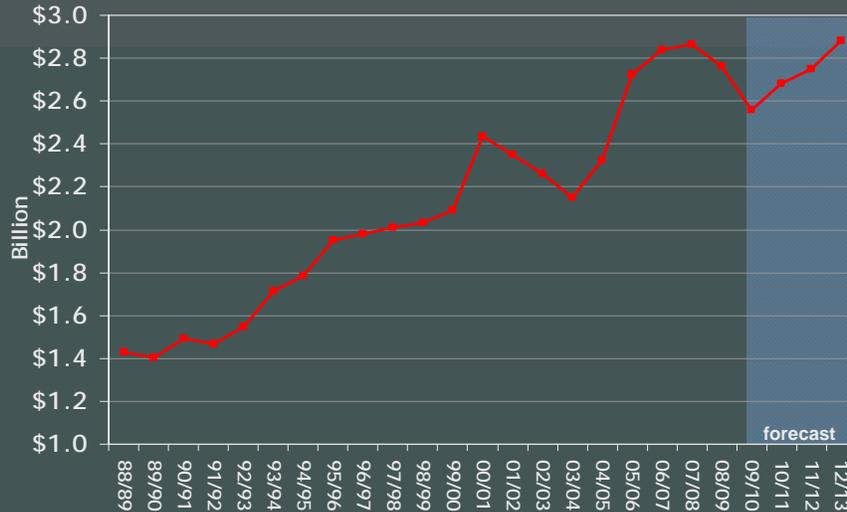


## Corporate Franchise and Income Tax





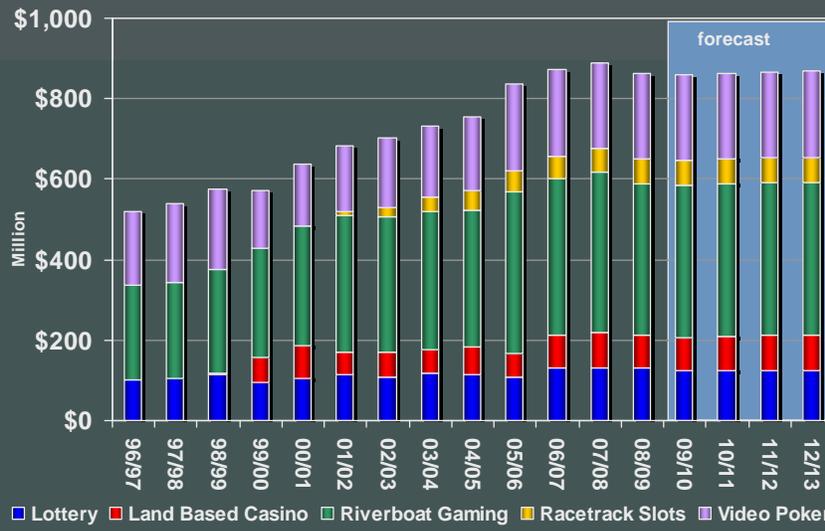
### General Sales Tax



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### Gaming Revenue

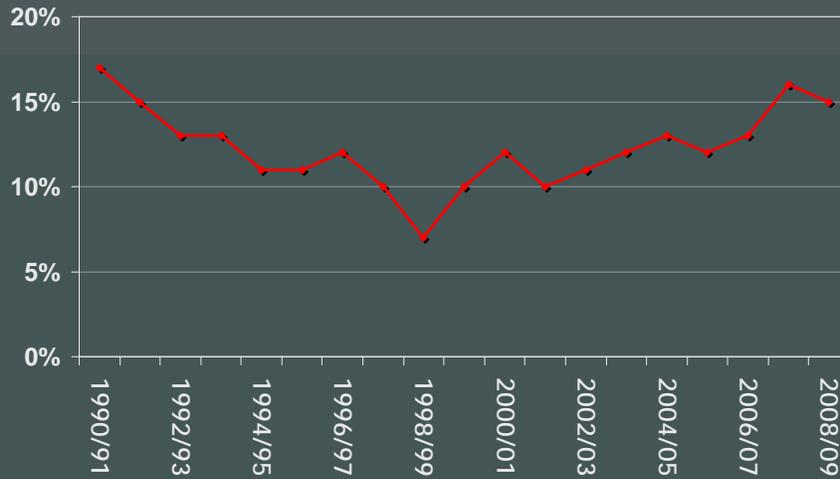




### Severance Tax & Royalties

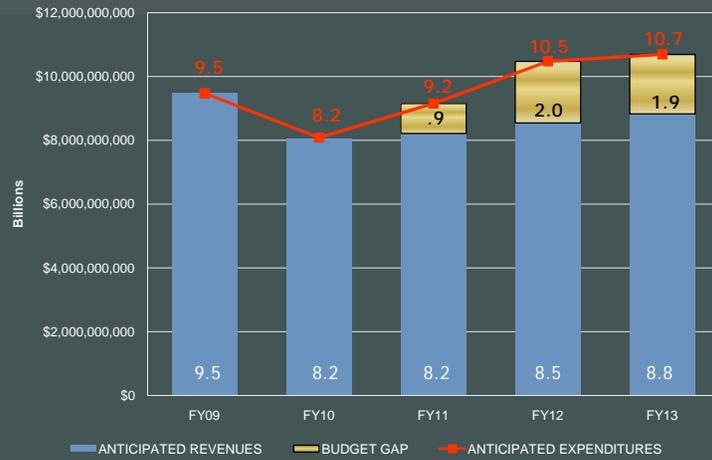


### State General Fund from Mineral Revenue

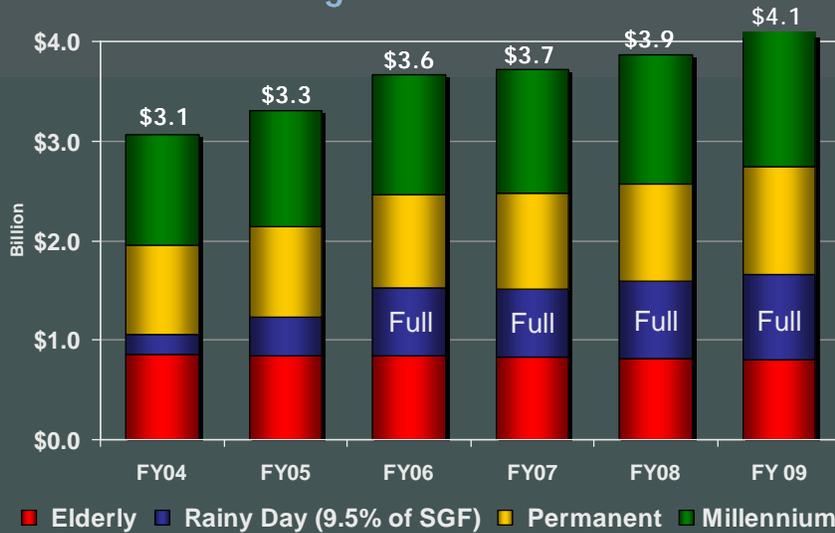




### Continuation General Fund Budget Outlook



### Trust Fund Ending Balances





## FY 10 Budget Stabilization Fund

(Rainy Day Fund)

Fund Cap as of REC 2/18/09	\$ 853,719,306
1/3 Fund Availability	\$ 284,573,102
Higher Education Funding	( \$ 86,177,032)
FY 10 Fund Balance	\$767,542,274

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## Tax Amnesty Program

- Act 519 of the 2009 Regular Session created a tax amnesty program to be administered by the Department of Revenue
- The amnesty program began September 1 and ends November 1, 2009
  - First \$90 Million collected to be deposited to the Coastal Protection and Restoration Fund
  - Next \$86 Million to replenish the Rainy Day Fund

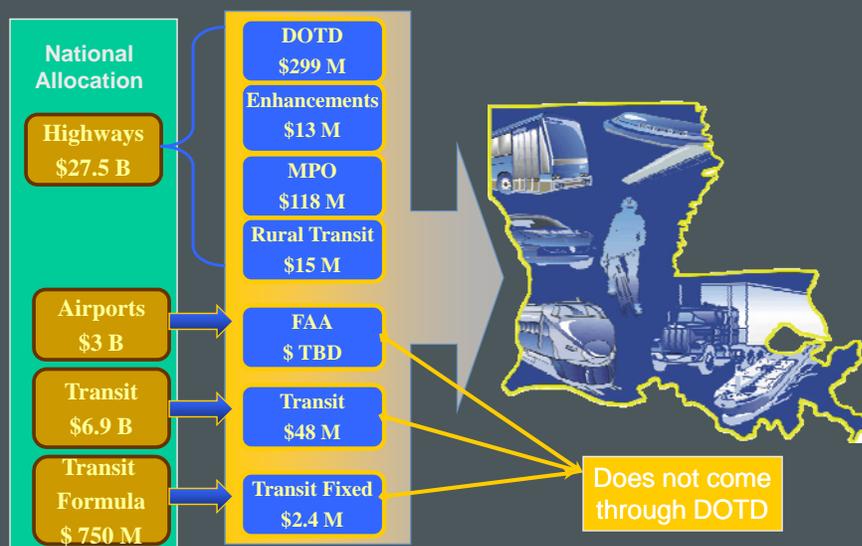
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## Transportation Infrastructure Backlog

- In the past 18 months, the state has accepted bids for construction of \$2 billion in road and bridge projects.
- Approximately \$1.4 billion from general fund surpluses dedicated to fund 450 projects: 160 completed, 163 under way, and 127 projects scheduled for bid.
- Through surplus funding, DOTD improved 1,096 miles of roadway earlier than originally programmed.
- The surplus also funded 36 port and hurricane flood protection projects.
- By the end of 2009, the state backlog of road and bridge needs will be reduced from \$14 billion to approximately \$12.5 billion.

## American Recovery and Reinvestment Act (ARRA) Formula Based Allocation





# ARRA Bill

## Criteria Included in the Act for Projects

### MPO discretionary (\$118 M)

(Projects must be approved by the MPO Policy Committee)

- Divided among 10 MPOs by formula
  - New Orleans \$ 29.1 million
  - Baton Rouge \$ 13.8 million
  - Shreveport \$ 7.9 million
  - Houma \$ 9.6 million
  - Slidell \$ 9.6 million
  - Monroe \$ 9.6 million
  - Alexandria \$ 9.6 million
  - Covington \$ 9.6 million
  - Lafayette \$ 9.6 million
  - Lake Charles \$ 9.6 million



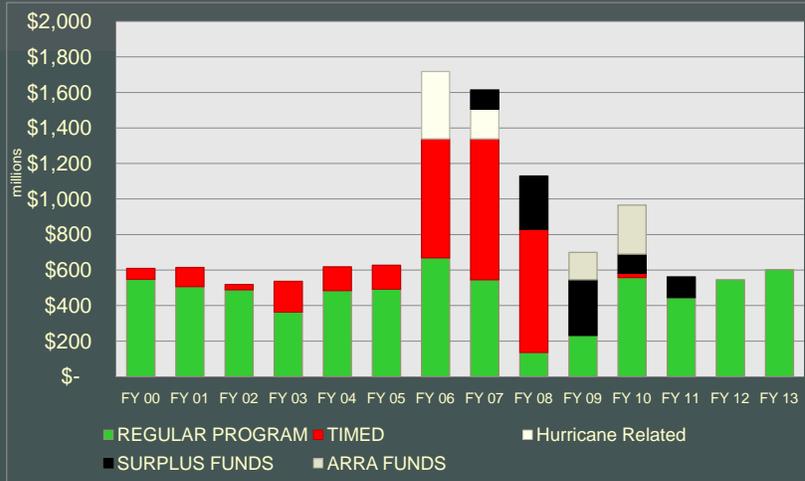
# Expenditure Projections

(millions)

Funding Category	Fiscal Year 08-09	Fiscal Year 09-10	Fiscal Year 10-11	Fiscal Year 11-12	Fiscal Year 12-13	Total
State Surplus	\$247.6	\$328.4	\$331.1	\$186.9	\$26.8	\$1,120.8
ARRA DOTD discretion		\$89.9	\$110.2	\$98.6		\$298.7
AARA DOTD Enhancement		\$5.5	\$5.5	\$1.9		\$12.9
AARA MPO		\$17.7	\$50.3	\$50.3		\$118.3
<b>TOTAL</b>	<b>\$247.6</b>	<b>\$441.5</b>	<b>\$497.1</b>	<b>\$337.7</b>	<b>\$26.8</b>	<b>\$1,550.7</b>



# Construction Letting History



# Hurricane Recovery Update



### Federal Disaster Recovery Funds

	Allocation	Spending	Remaining	Percent Spent
<i>(\$ Million)</i>				
Economic Development	371	252	119	67.9%
Education	390	117	213	45.4%
Housing	11,413	8,788	2,625	77%
Infrastructure	23,177	6,310	16,867	27.2%
Miscellaneous	742	169	573	22.8%
<b>Total</b>	<b>\$36,093</b>	<b>\$15,696</b>	<b>\$20,397</b>	<b>43.5%</b>



### Monthly Road Home Closings





## New Orleans Metropolitan Area Population

The Metropolitan Area has 88% of its pre storm population

- Jefferson Parish is back to pre-storm levels
- St. Tammany, St. Charles and St. John the Baptist Parishes have grown
- Orleans, Plaquemines and St. Bernard Parishes have substantially fewer residents

	July 1, 2005	July 1, 2006	July 1, 2007	July 1, 2008	July 1, 2009	2009 as % of 2005 pop
<b>Orleans</b>	453,726	229,886	289,961	328,290	351,568	<b>77%</b>
Change from previous year		-223,840	60,075	38,329	23,278	
<b>New Orleans Metro Area</b>	1,330,936	1,011,937	1,131,362	1,155,260	1,166,214	<b>88%</b>
Change from previous year		-318,999	119,425	23,898	10,954	

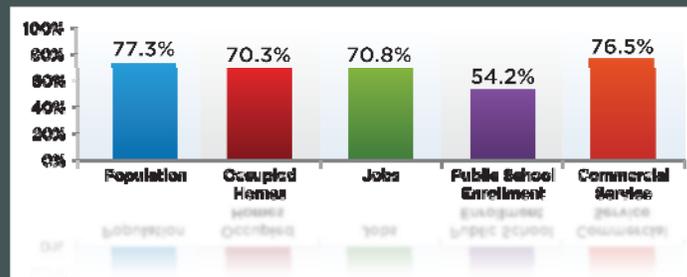
Source: U.S. Census and GCR & Associates, Inc. using data provided by Entergy Louisiana and ESRI, Inc.



## Key Stats for the City of New Orleans

The City of New Orleans continues to recover

- Approximately 77% of its pre-storm population has returned
- While very high, vacant residential properties continue to be absorbed
- Over 70% of the jobs based in Orleans Parish have returned
- Commercial activity is currently at 76% of pre-storm levels
- While increasing, school enrollment continues to lag other indicators





## Levee Restoration and Enhancement

- \$15 billion in federal work underway to provide 100-year storm protection to Metro New Orleans (five parishes)
- State executing program of over \$1.5 billion for coastal restoration and hurricane protection
- Hurricane/Flood protection in place today in better than ever before
- New levees will provide even greater protection
- New building codes and higher build elevations provide additional protection
- 17 new coastal restoration efforts totaling an estimated \$6-8 billion. These coastal buffers reduce storm surge intensity

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## Proactive Fiscal Reforms



## Commission on Streamlining Government

- Legislatively created 10-member commission consisting of leaders in state government, business, and public policy.
- Examine each agency's constitutional and statutory activities, funding, programs, services, powers, duties and responsibilities.
- Determine which of these can be eliminated, streamlined, consolidated, privatized or outsourced.
- Submit initial report on recommendations by December 15, 2009.

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## Postsecondary Education Review Commission

- Examine the governance, facilities, funding, operations and number and alignment of degree programs at Louisiana public colleges.
- Review and analyze Louisiana's educational needs, relevant data, current policies and practices, structure, and funding mechanisms.
- Recommend the most efficient and effective ways for the state to meet its goal of providing citizens with the educational attainment necessary to meet the critical needs of our state and regions.
- Provide a written report of findings and recommendations.

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## Streamlining and Reform Efforts Already Underway

- Passing legislation to require annual reporting and a biennial review of statutorily created funds.
- Passing legislation to make reforms to civil service and performance-based pay for state employees.
- Implementing an Enterprise Resource Planning project, called LaGov, that will replace the state's current financial system and redesign more than 125 business processes are being redesigned. Cost savings for a state implementing similar system: Tennessee, \$185.9 million over 10 years.

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## Streamlining and Reform Efforts Already Underway (Cont'd)

- Reducing the size and cost of the state vehicle fleet, through moratorium on the acquisition of new vehicles and new policies to reduce the size of the state's existing number of state-owned vehicles. In Fiscal Year 2008, state agencies and colleges and universities purchased 1,412 vehicles at a total cost of \$26,163,700.21. In Fiscal Year 2009, they purchased less than half that number of vehicles at less than half the cost: 597 vehicles at a total cost of \$11,661,383.76.
- At Louisiana Economic Development department - eliminated the "traditional" Workforce Development and Training Program, which, with the creation of the new Fast Start Program, was determined to be duplicative.

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## Streamlining and Reform Efforts Already Underway (Cont'd)

- At the Division of Administration — eliminated the Office of Electronic Services and merged it with the Office of Information Technology, as well as undertaking a department-wide evaluation of outsourcing and privatization opportunities.
- In the Office of the Governor — moved the Louisiana State Board of Cosmetology out of the office to function independently as do other boards and commissions, and moved the Governor's Oil Spills Coordinator's Office to the Department of Public Safety.
- Moved the Louisiana Office of Student Financial Assistance within Higher Education to better align higher education policy with financing programs.

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## Streamlining and Reform Efforts Already Underway (Cont'd)

- Joined the Louisiana School for the Visually Impaired with the campus of the Louisiana School for the Deaf to increase student safety, capture additional federal resources, centralize business office functions while maintaining separate entities, and achieving cost-savings through shared services.
- Transitioning the Steve Hoyle Rehabilitation Center in Tallulah from a state-run correctional facility housing adult male offenders to a parish-run facility housing a re-entry program for adult female offenders.

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## Streamlining and Reform Efforts Already Underway (Cont'd)

- At the Louisiana Tax Commission – eliminating the Legal Section of the agency and outsourcing its legal work.
- At the Department of Revenue – closing its Thibodaux office and instituting telecommuting for its remaining employees to continue to provide services to citizens while working from home.

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## Reducing the Size of State Government

- Executive branch **fulltime employees**: Based on figures between December 31, 2007 and September 4, 2009, the number of Executive Branch fulltime employees, which includes Higher Education and LSU hospital system, fell from 89,371 to 87,925, a reduction of 1,446.
- Executive branch appropriated **fulltime positions**: The enacted FY 10 budget includes a net reduction in the number of full-time authorized positions throughout the Executive Branch by 1,335. This action follows 971 strategic position eliminations associated with the FY 09 mid-year budget reductions, and 1,019 reductions previously implemented through budgetary action, for a total of 3,325 fulltime executive branch authorized positions reduced since the beginning of the Jindal administration.

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## Capital Outlay Reform – Paying Down the Backlog

- Implementing capital outlay reform limiting funding to non-state projects to no more than 25 percent of cash line of credit capacity and requiring 25 percent local match for non-state projects.
- With an average of \$350 million in cash line of credit capacity, and with 25 percent, or \$87.5 million, going toward local projects, requiring a match of 25 percent means a savings of \$21.88 million to the state to accomplish \$109.38 million in projects.
- Strict limitations on new non-cash line of credit projects.
- With surplus investments in road and higher education construction projects with approximately \$131 million outstanding non-cash lines of credit, will reduce an inherited \$1.465 billion backlog in the construction program to about \$600 million.

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## Internal Budgeting Process Reform

- Shifting focus away from the usual budget practice of adding or subtracting from the base costs of government.
- Focusing instead on what outcomes matter most to our citizens.
- Determining how much should be spent to achieve each outcome.
- Determining how best to deliver the outcome to get the results citizens expect, through new ideas and new, more cost-effective practices.

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## Net State Tax Supported Debt



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## Summary

- Louisiana State Government's fiscal status is strong.
- The economy continues to outperform the nation and other southern states.
- We are succeeding in further diversifying our economy through dynamic economic development initiatives.
- We are proactively streamlining and reforming government to maintain continued fiscal strength.

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