

# RESTORING THE PRIDE

## FINANCIAL HIGHLIGHTS FOR THE PEOPLE OF THE STATE OF LOUISIANA

For the Fiscal Year Ended June 30, 2003

Since the beginning of his administration in 1995, Governor M.J. "Mike" Foster has been committed to making significant changes in the operation of the State government of Louisiana. He has developed bold and practical strategies to reduce the cost of government, improve its services, and devised a plan aimed at improving the financial future of our state and the quality of life for our citizens. One of his goals has been to enhance our education system by increasing teacher salaries. Another goal has been to attract more industries to the State in order to expand the number of jobs available and, as a result, keep our graduates in Louisiana. A slogan of the administration has been that the State should be run like a business. The reader will see from the charts and statistics included that we are well on the way to meeting the governor's goals.

This report, "Restoring the Pride", is the latest in the series of publications intended to provide an overview of selected financial information of the State of Louisiana. Its purpose

is to provide in a simplified, easy to read format, the condition of the State for the fiscal year ended June 30, 2003. While not intended to replace the detailed accounting data presented in the *Comprehensive Annual Financial Report (CAFR)*, "Restoring the Pride" is meant to enhance the understanding of Louisianians concerning the financial condition of the State presenting selected financial, budgetary, economic, and demographic information of particular interest to Louisianians.

Your comments and observations on this publication are welcome and should be sent to the Office of Statewide Reporting and Accounting Policy to the attention of Mr. Afranie Adomako, CPA at the following address:

P.O. Box 94095  
Baton Rouge, LA 70804-9095  
Phone: 225-342-0708  
FAX: 225-342-1053

### GOVERNMENT-WIDE FINANCIAL ANALYSIS

For the second year, the State's financial statements have been presented on a government-wide basis in accordance with the Governmental Accounting Standards Board Statement No. 34. While keeping the fund concept of previous years, this new reporting model adds two new government-wide statements, a Management Discussion and Analysis (MD&A), as well as a reconciliation between the fund level and the government-wide statements. The two new statements differ from the fund level as they include assets, liabilities, and operating results using the full accrual basis of accounting which is similar to the accounting used by private sector businesses. The new statements include long-term debt, general fixed assets, as well as the amount, less the estimate that will not be collectable, of all of the taxes and fees owed to the State by taxpayers without regard to collection date. The intent is to give the reader an understanding of the true financial condition of the state.

In the year of implementation, fiscal year 2002, much of the new information was not easily comparable to the prior year's financial statements. The Management Discussion and Analysis (MD&A), due to the absence of comparability, could not show trends until this second year of implementation. Therefore, by comparison to last fiscal year, the MD&A shows that the government-wide statements of the primary government reflect total assets of \$21.7 billion (a \$900 million increase over last year) and total liabilities of \$7.2 billion (a \$600 million increase). This results in a total net assets balance of \$14.5 billion at June 30, 2003 which is an increase of \$300 million over last year. The unrestricted net assets bal-

ance was a deficit of \$2.6 billion (a \$100 million increase over last year). This "deficit" represents a negative balance after the State pays all its obligations and sets aside assets it cannot spend due to legal requirements by the legislature, the State Constitution, and other agreements with donors and grantors. A major reason for this deficit in unrestricted net assets is that the State's financial statements report debt for capital assets owned by local governments and reported on the local government's financial statements.

As mentioned earlier, the financial statements included in the CAFR are shown in two different ways. The government-wide statements are full accrual while the fund statements are modified accrual. Key differences between the two are:

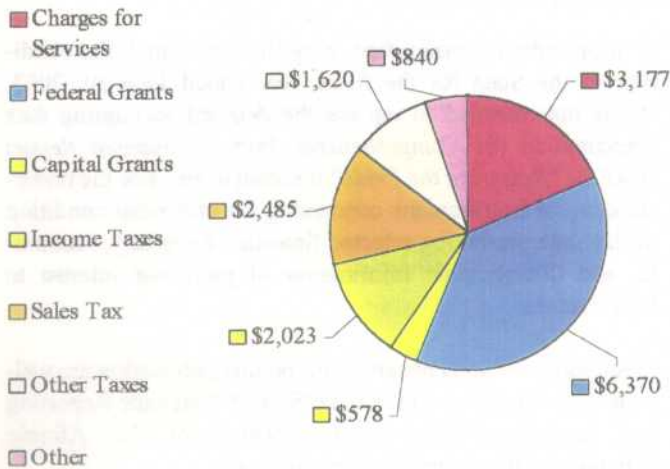
- \* Revenues are recognized when earned regardless of when they are collected (full accrual).
- \* Expenses are recorded for long-term obligations such as accrued vacation time regardless of when the payment is made.
- \* Certain transactions such as bond proceeds, capital lease payments, and fixed asset purchases that resulted in revenues and expenditures at the fund level have been reclassified as assets and liabilities in the government-wide statements.
- \* Certain expenses such as depreciation of capital assets and amortization of bond premiums and discounts that are not recorded in the fund level statements are recorded in the government-wide statements.

The charts on the following page depict the government-wide revenues and expenses of the State:

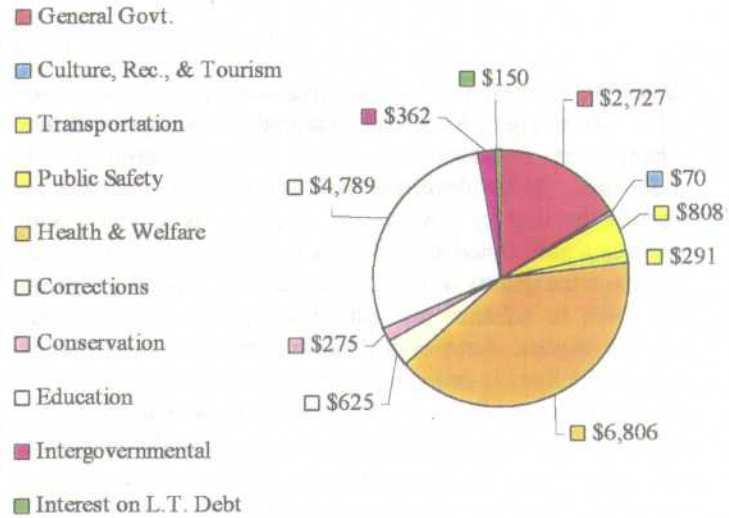


# GOVERNMENT-WIDE REVENUES & EXPENSES

**Government-wide Revenues  
(In Millions)**



**Government-wide Expenses  
(In Millions)**



## GENERAL FUND BALANCE SHEET

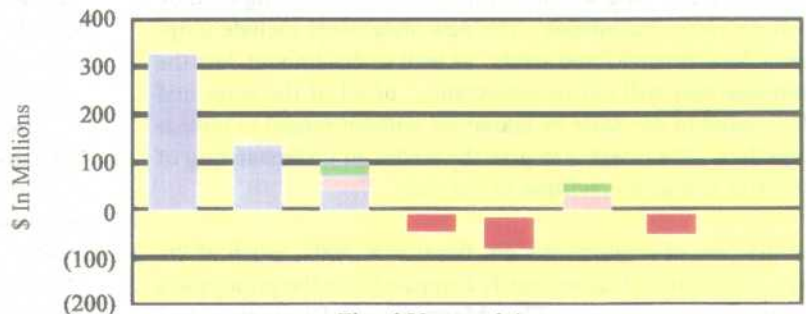
While the foregoing discussion on the government-wide financial statements under the new reporting model shows the condition of the entire State, of special interest is the balance sheet of the General Fund which is the chief operating fund of the State. Assets of \$1.872 billion and obligations of \$1.526 billion leave a total fund balance of \$346 million. The majority of this balance (the "reserved fund balance" and the "designated fund balance") is usually reserved or designated for

many specific purposes, while the remaining amount (the "unreserved and undesignated fund balance") is theoretically the amount left over after all of the State's obligations have been met. The entire fund balance of the General Fund was either reserved or designated this fiscal year. Therefore, total liabilities, reservations, and designations equaled the available assets causing neither a surplus nor a deficit as compared to a deficit of (\$34) million in fiscal year 2002.

## UNRESERVED/UNDESIGNATED GENERAL FUND BALANCE

One measure of the financial performance of the State is the comparison of the unreserved and undesignated fund balance (the surplus or deficit) of the General Fund for the last several years. This fund balance is theoretically the amount "left over" after assets are compared against liabilities. According to the Louisiana Constitution, any surplus can only be used for either capital construction, retiring or defeasance of debt, or providing payments against the unfunded accrued liability of the retirement systems. In addition, beginning in 1998, 25% of any nonrecurring revenue, such as surpluses, must be placed in the Budget Stabilization or "Rainy Day" Fund. As previously mentioned, fiscal year 2003 closed with the General Fund having neither a deficit nor surplus as the fund balance was either reserved or designated.

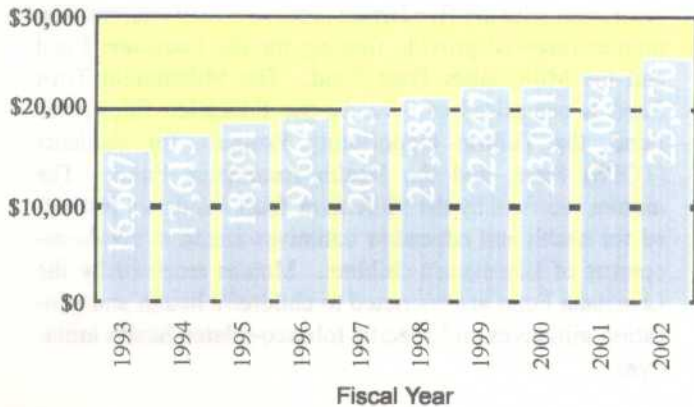
**General Fund Surpluses and Deficits by Year and How the Surpluses Were Spent**



	Fiscal Year and Amount							
	1996	1997	1998	1999	2000	2001	2002	2003
■ Rainy Day Fund	0	0	24	0	0	7	0	0
■ Capital Outlay	0	0	20	0	0	20	0	0
■ Defeasance of Debt	318	135	50	0	0	0	0	0
■ Deficit	0	0	0	(27)	(81)	0	(34)	0

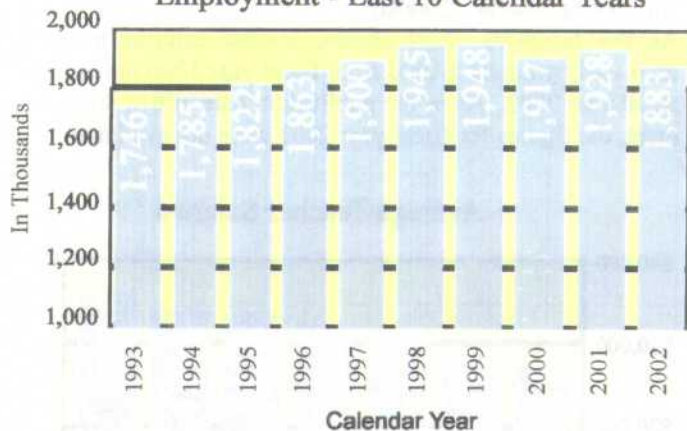
## ECONOMIC DEMOGRAPHICS

### Income Per Capita - Last 10 Fiscal Years



Source: 2003 CAFR

### Employment - Last 10 Calendar Years

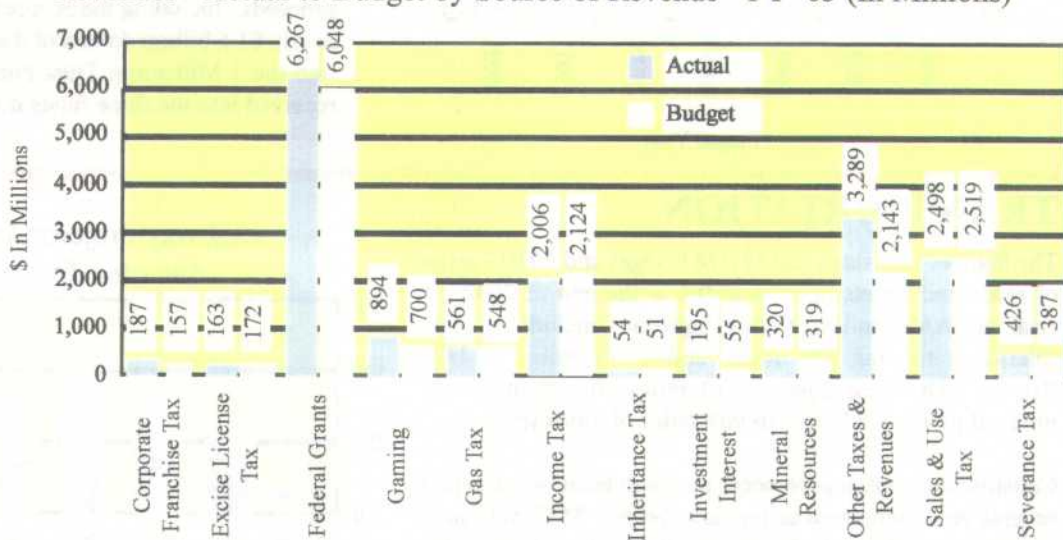


Source: 2003 CAFR

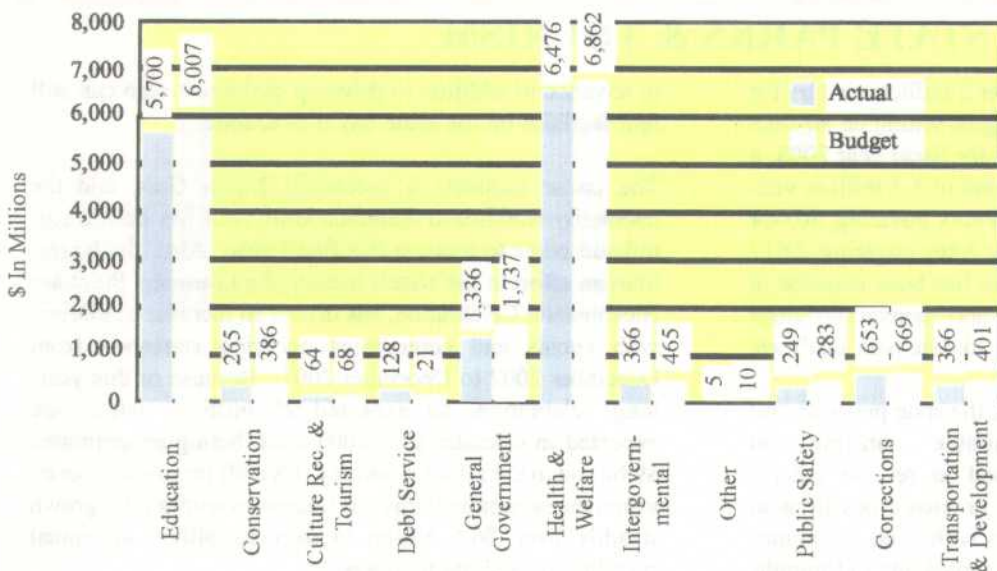
## BUDGETARY INFORMATION

The State of Louisiana is legally required to prepare a balanced annual budget, and all State agencies are required to adhere to the budget during the fiscal year. The revenues are presented by the source of the revenue, mostly from federal grants and various taxes. The chart depicts the budgeted and actual revenues and illustrates the performance of the State in adhering to the legally adopted revenue budget which includes the General Fund and other budgeted funds.

### Revenues - Actual to Budget by Source of Revenue - FY '03 (In Millions)



### General Fund Expenditures - Actual to Budget by Function of Government - FY '03 (In Millions)



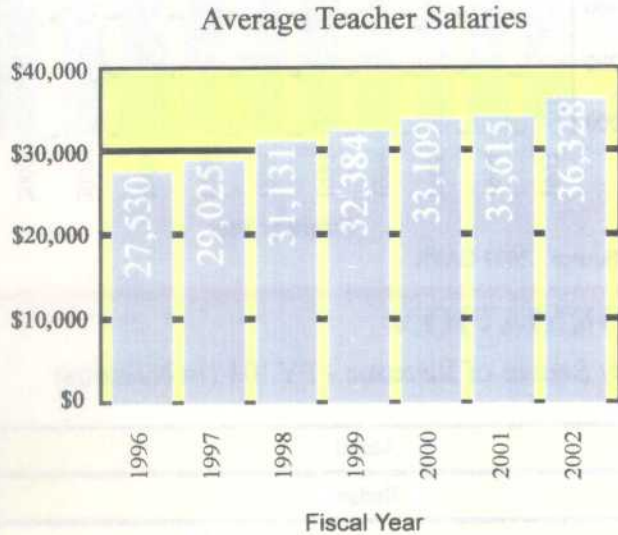
While the Revenue chart depicts the revenue budget by all sources of revenue, the Expenditure chart depicts actual and budgeted expenditures for the General Fund, which is the chief operating fund of the State. This chart illustrates the budgeted and actual expenditures of the General Fund by function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



## EDUCATION (K-12)

### Improving Teacher Quality

As the following chart shows, teacher salaries have increased by nearly \$9,000 from fiscal year 1996 through fiscal year 2002. As of the publication date of this document, the figures for fiscal year 2003 were not available.



## TRANSPORTATION

The State of Louisiana had 13,274 bridges and 60,917 miles of roads and streets open to traffic at the end of 2002. A total of 16,699 miles of state highways include 12 U.S. Interstates totaling 893 miles and 2,211 miles of U.S. Routes. The remaining 44,218 miles consist of 33,311 miles of parish roads and 10,907 miles of city streets.

Construction continues to occur at a high level over the past several years compared to previous years. \$537 million in projects were began in fiscal year 2003. The chart on the right depicts the progress that has occurred since 1992.



## STATE PARKS & TOURISM

Louisiana's State Parks attracted over 2 million visitors for the second consecutive year, once again setting an all-time high with nearly 2.1 million visitors for fiscal year 2003, a 60 percent increase over the 1997 total of 1.3 million visitors. The State operates 24 State Parks covering 30,664 acres of area, and 21 State Historic Sites covering 2,617 acres of area. A total of \$100 million has been invested in land acquisition, new construction, and renovations since 1996 which has stimulated visitation to state park facilities.

Now in its fourth year of operation, the state parks central registration system is available on-line at [www.crt.state.la.us](http://www.crt.state.la.us) and can be used to reserve cabins, campsites, lodges, meeting rooms, or picnic pavilions at any of Louisiana's recreational sites with such accommodations. The facilities can now be reserved up to 11 months

## TOBACCO SETTLEMENT

Louisiana is one of 46 states receiving a share of the 1998 settlement with the five largest tobacco manufacturers. The monies received provide funding for the Louisiana Fund and the Millennium Trust Fund. The Millennium Trust Fund is comprised of 3 funds: the Education Excellence Fund, the Tuition Opportunity Program for Students (TOPS) Fund, and the Health Excellence Fund. The monies received by the Millennium Trust Funds are restricted for health and education initiatives aimed at the development of Louisiana's children. Monies received by the Louisiana Fund are restricted to children's health and education initiatives and specific tobacco-related health initiatives.

Last fiscal year, Louisiana sold 60% of the future proceeds of the tobacco settlement to the Tobacco Settlement Financing Corporation. This special purpose public corporate entity sold bonds to purchase the interest in the future proceeds. Including the proceeds of the bond sale last year, nearly \$1.5 billion dollars of the settlement has been placed into the 3 Millennium Trust Funds. Over \$95 million was received into the three funds during fiscal year 2003.



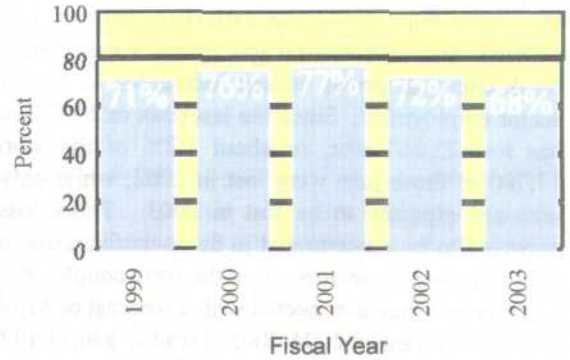
## RETIREMENT SYSTEMS FUNDING

### UAL and Funded Percentages

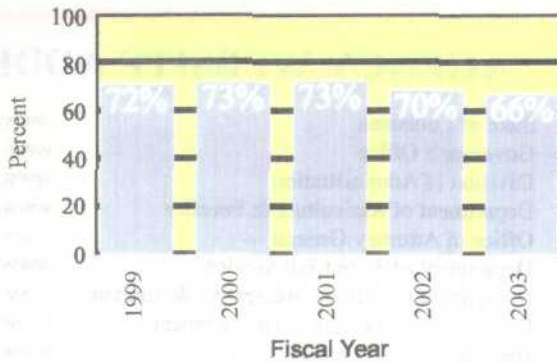
The "Unfunded Accrued Liability" (UAL) is the amount the State expects to pay in future retiree benefits over and above current resources. The "Funded Percentage" is the percentage of the liability currently funded. A retirement system with an unfunded accrued liability would have a percentage funded of less than 100%. The State's four retirement systems currently have an unfunded accrued liability.

Funded percentages of the liabilities decreased again this year after significant increases over the previous 5 years prior to last year. The following graphs show the trends of the funded percentages for the 3 retirement systems with UAL's over the past 5 years. The Louisiana School Employees' Retirement System which is now experiencing an unfunded accrued liability, is not graphed because in past years it did not have an unfunded accrued liability. It was funded at 103% in 2001 but is now experiencing an unfunded accrued liability and a resulting funded percentage of 79%.

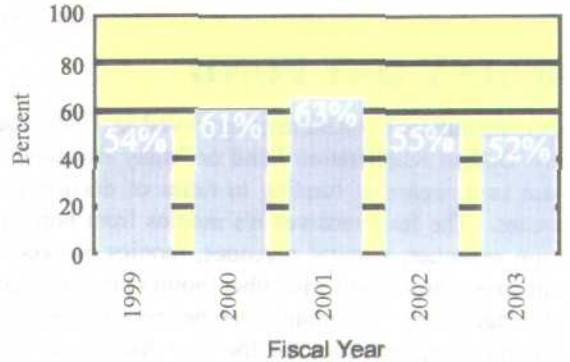
### Teachers' Retirement System



### State Employees' Retirement System



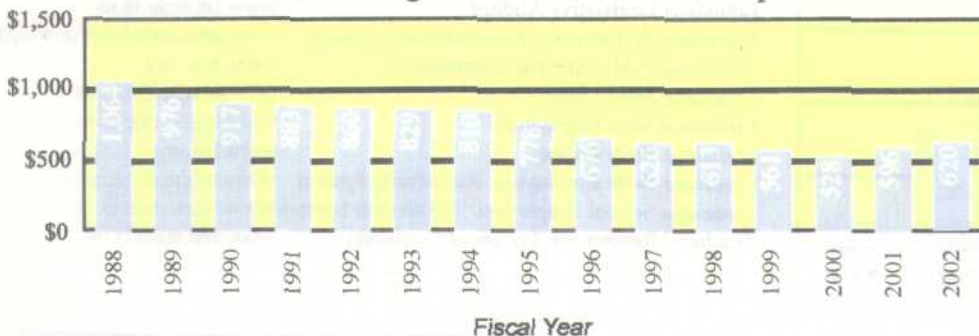
### State Police Retirement System



## STATE DEBT

Louisiana Revised Statutes (LRS) 39:1365(25) and 39:1402(D) limit the authorization and issuance, respectively, of general obligation bonds. Good debt management has produced positive results. Based on U.S. Census Bureau population statistics, the debt service per capita for fiscal year 2002 was \$620. Fiscal year 2003 is not available due to the unavailability of the 2003 population estimate at the date of this printing. Despite an increase over fiscal year 2001, debt service per person in Louisiana has decreased by \$444 per person since 1988.

### Net General Obligation Debt Service Per Capita\*



Source: 2003 CAFR

\*Debt Service Per Capita represents the amount the State will pay per Louisianian for the general obligation debt of the State less amounts to be received from local governments for their portion of the debt.

## NURSING HOME IMPROVEMENTS

The Medicaid Trust Fund for the Elderly is a permanent trust fund established from federal funds as a funding source for improvements in the care provided by nursing homes across the State.

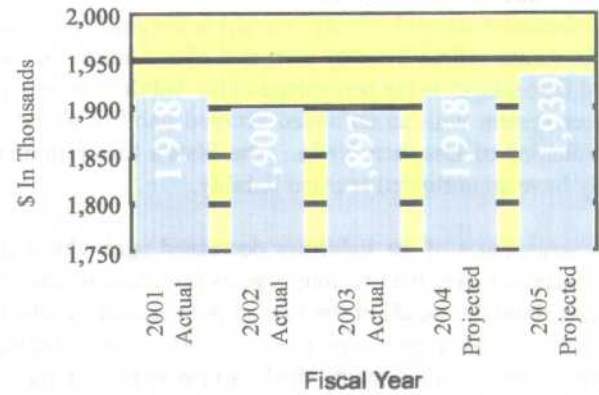
Established in April 2000, the first payment of over \$306 million was received in fiscal year 2001, and over \$700 million was received during the 2002 fiscal year. After receiving over \$225 million in fiscal year 2003, over \$1.25 billion has been transferred into the fund in three years. Principal and interest will be used for enhancements in Medicaid certified nursing homes and for services of the State Medicaid program that receive federal matching funds.



## ECONOMIC OUTLOOK

The past 3 years have not been particularly good years for the Louisiana economy due to several events combined. Oil prices fell causing the extraction industry to lay off workers, and high natural gas prices, weak demand, and weak chemical prices caused reductions in the chemical sector employment. Since the last peak in 2000, Louisiana has lost 22,800 jobs, or about 1.2% of the workforce. 17,700 of those jobs were lost in 2002, while only 2,800 jobs are expected to be lost in 2003. Those losses are expected to be concentrated in the manufacturing, mining, and construction sectors. For the next couple of years, a 1.1% growth rate is expected with a forecast of 41,600 new jobs in Louisiana in 2004-2005. Healthy gains will be seen in the retail and wholesale trade, healthcare, professional and business services, and governmental sectors.

## Non-Agricultural Wage & Salary Employment

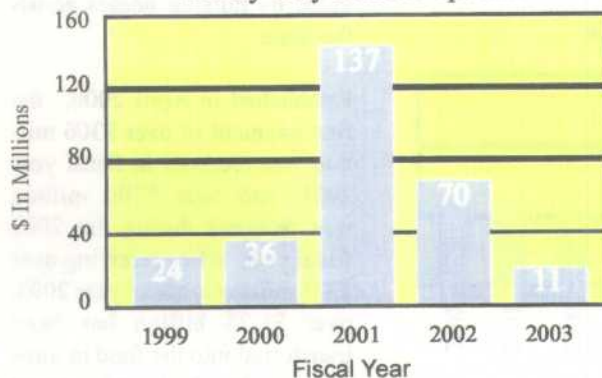


Source: *The Louisiana Economic Outlook: 2004 and 2005* by Loren Scott, James A. Richardson and A.M.M. Jamal

## RAINY DAY FUND

A constitutional amendment approved in 1990 created the Budget Stabilization Fund or "rainy day fund" for use as a source of funding in times of declining revenues. The fund receives its monies from non-recurring revenues, mineral revenues, monies in excess of the expenditure limit, and other monies appropriated by the legislature. The monies can be spent if the forecast for recurring revenues for the next fiscal year is less than the current fiscal year, or if a deficit for the current fiscal year is projected due to a decrease in recurring revenues. Deposits into the fund were \$11.4 million in fiscal year 2003 and \$278 million, plus accumulated interest, since its inception. Prior to fiscal year 2003, there were no expenditures from the fund since its inception. However, due to declining revenue projections for fiscal year 2003, the "rainy day fund" was used for the first time to provide \$86.4 million to avoid further reductions in important programs.

### Rainy Day Fund Deposits



## AGENCY WEBSITE ADDRESSES

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

This public document was published at a total cost of \$600.00. One thousand (1000) copies of this public document were published in this first printing at a cost of \$0.60 per document. This document was published for public distribution by the Division of Administration, Office of Statewide Reporting and Accounting Policy, P.O. Box 94095, Baton Rouge, LA 70804-9095 to reflect an overview of the financial condition of the state for the fiscal year ended June 30, 2003 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.