

ECONOMIC OUTLOOK

Revenue Estimating Conference Forecast

COMPARATIVE STATEMENT OF OFFICIAL REVENUE FORECASTS AND ACTUAL REVENUE
FISCAL YEARS 2007/2008 THROUGH 2013/2014 (IN MILLIONS)

Revenue	ACTUAL 2007/08	ACTUAL 2008/09	FORECAST 2009/10 EOB	FORECAST 2009/10 Dec. 17, 2009	FORECAST 2010/11 Dec. 17, 2009	FORECAST 2011/12 Dec. 17, 2009	FORECAST 2012/13 Dec. 17, 2009	FORECAST 2013/14 Dec. 17, 2009
Alcoholic Beverage Tax	19.4	19.6	19.0	19.6	19.0	19.0	19.0	19.0
Beer Tax	36.5	37.3	36.5	36.5	36.5	36.5	36.5	36.5
Corporate Franchise Tax	233.8	212.7	94.8	97.3	50.4	45.7	34.8	37.2
Corporate Income Tax	705.9	612.5	422.4	345.1	348.9	335.5	304.3	311.2
Corporate Total	939.7	825.2	517.2	442.4	399.3	381.2	339.1	348.4
Gasoline and Special Fuels Tax	600.4	590.5	592.0	565.4	564.2	567.9	578.1	592.9
Gift Tax	3.3	1.8	-	-	-	-	-	-
Hazardous Waste Tax	4.1	3.6	3.1	3.1	3.1	3.1	3.1	3.1
Individual Income Tax	3,168.7	2,966.1	2,557.0	2,593.0	2,711.0	2,751.0	2,847.0	2,959.0
Inheritance Tax	7.8	3.2	1.4	1.4	1.4	1.4	1.4	1.4
Natural Gas Franchise Tax	5.4	4.0	5.4	2.5	3.0	4.0	4.5	5.0
Public Utilities	5.5	16.1	5.0	5.0	5.0	5.0	5.0	5.0
Auto Rental Excise	5.6	5.2	5.0	4.0	4.5	5.0	5.0	5.0
Sales Tax	2,864.3	2,762.5	2,613.5	2,363.3	2,486.3	2,527.3	2,622.2	2,726.2
Severance Tax	1,085.3	870.3	780.0	888.6	790.8	839.1	831.3	834.6
Supervision&Inspection Fees	8.6	8.8	8.6	6.5	7.0	7.5	8.0	8.5
Tobacco Tax	146.3	147.3	141.5	126.9	126.6	126.3	125.9	125.5
Unknown Owners	28.2	27.0	32.0	32.0	32.0	32.0	32.0	32.0
Miscellaneous Receipts	6.6	6.5	6.5	6.5	6.5	6.5	6.5	6.5
TOTAL REVENUE DEPT	8,935.5	8,295.2	7,323.7	7,096.6	7,196.1	7,312.7	7,464.6	7,708.6
Royalties	767.3	517.2	384.0	433.5	476.2	508.8	510.0	509.4
Rentals	25.5	20.5	20.4	24.0	17.1	18.3	18.4	18.3
Bonuses	60.3	134.1	30.7	20.0	34.7	37.0	37.1	37.1
Royalty Interest	2.4	1.9	1.0	2.5	2.4	2.5	2.6	2.5
TOTAL MINERAL BOARD	855.4	673.7	436.1	480.0	530.4	566.7	568.0	567.4
Interest on Investments	188.7	169.0	130.0	130.0	110.0	100.0	90.0	70.0
Interest Earnings (TTF)	14.8	6.8	10.0	6.8	6.8	6.8	6.8	6.8
Various Agency Receipts INA	43.9	45.8	44.3	44.3	44.3	44.3	44.3	44.3
Agency SGR Over-collections	19.8	20.4	19.8	20.4	20.4	20.4	20.4	20.4
Bond Reimbursements	3.9	4.0	3.9	4.0	4.0	4.0	4.0	4.0
Education Support Fund	67.8	69.0	65.0	45.0	50.0	55.0	60.0	65.0
Lottery	130.2	132.1	123.0	136.3	126.7	126.7	126.7	126.7
Land Based Casino	90.2	81.9	82.0	72.8	74.3	76.5	79.5	83.5
Tobacco Settlement	73.7	74.1	81.5	67.4	63.0	63.9	65.0	66.1
Provider Fees	112.5	110.3	106.1	106.1	106.1	106.1	106.1	106.1
TOTAL TREASURY	745.5	713.3	665.6	633.1	605.6	603.6	602.8	592.9
Excise License Tax	322.5	320.8	345.7	335.4	352.4	359.2	382.4	405.4
Insurance Fees	52.8	54.8	55.1	57.4	60.3	61.4	65.4	69.3
TOTAL INSURANCE	375.2	375.6	400.8	392.8	412.7	420.6	447.8	474.7
Misc Public Safety/ABP	11.5	11.0	8.3	9.0	9.2	10.3	11.2	11.6
Certificate of Title	24.7	23.2	19.3	18.7	19.2	21.5	23.4	24.2
Motor Vehicle License	97.7	106.1	84.0	83.1	87.3	97.5	106.1	109.7
Motor Vehicle Sales	342.0	308.3	252.0	256.3	263.5	295.0	320.1	331.2
Riverboat Gaming	397.8	374.8	380.0	365.6	367.0	373.5	383.1	389.9
Racetrack Slots	58.3	62.1	61.0	56.7	58.0	60.0	62.0	62.0
Video Poker	211.7	212.1	214.0	199.4	202.7	210.1	220.3	227.5
TOTAL PUBLIC SAFETY	1,143.6	1,097.7	1,018.6	988.8	1,007.0	1,068.0	1,126.2	1,156.1
Total TAX, LICENSES & FEES	12,055.3	11,155.5	9,844.8	9,591.2	9,751.7	9,971.6	10,209.4	10,499.7

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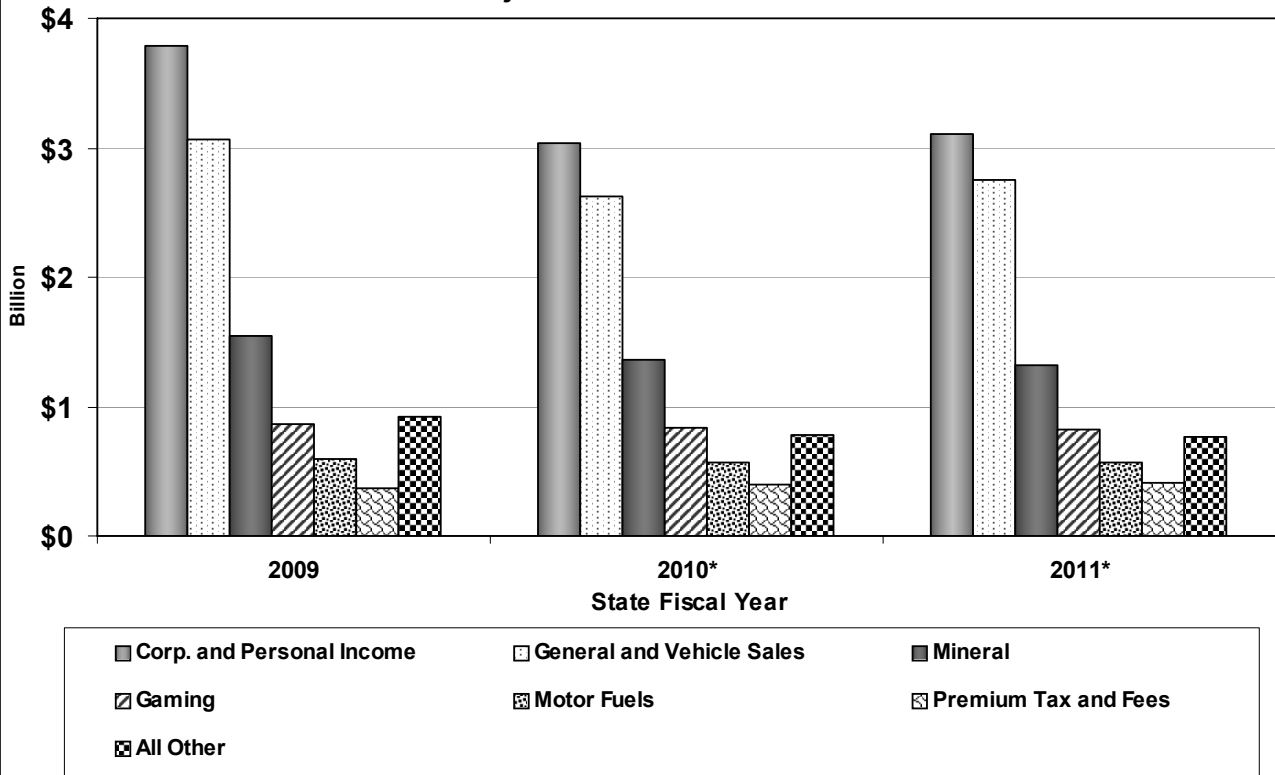
COMPARATIVE STATEMENT OF OFFICIAL REVENUE FORECASTS AND ACTUAL REVENUE
FISCAL YEARS 2007/2008 THROUGH 2013/2014 (IN MILLIONS)

Dedications	ACTUAL	ACTUAL	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST	FORECAST
	2007/08	2008/09	2009/10 EOB	2009/10 Dec. 17, 2009	2010/11 Dec. 17, 2009	2011/12 Dec. 17, 2009	2012/13 Dec. 17, 2009	2013/14 Dec. 17, 2009
Trans Trust/fuels	480.3	472.4	473.6	452.3	451.4	454.3	462.5	474.3
Trans Trust/motor vehicle lic	43.9	43.0	37.0	35.7	37.5	41.9	45.6	47.2
Trans Trust/sales jet fuel	9.7	9.7	29.8	29.8	29.8	29.8	29.8	29.8
Trans Trust/interest & fees	43.3	37.1	38.4	37.1	37.1	37.1	37.1	37.1
TIME/fuels	120.1	118.1	118.4	113.1	112.8	113.6	115.6	118.6
HF #2/motor vehicle license	10.7	10.7	9.7	9.5	10.0	11.1	12.1	12.5
State Highway Improvement Fund	6.8	14.5	36.8	37.4	39.3	43.9	47.7	49.4
Parishes/severance	48.9	42.2	35.1	44.4	39.5	42.0	41.6	41.7
Forest Productivity	3.0	2.6	3.0	2.6	2.6	2.6	2.6	2.6
Parishes/royalties	78.6	51.2	38.4	43.4	47.6	50.9	51.0	50.9
DNR/AG Support Fund	2.3	1.6	2.6	2.6	2.6	2.6	2.6	2.6
Wetlands Conservation&Rst	41.1	33.9	27.7	30.5	29.5	31.1	31.0	31.0
Mineral Revenue Audit & Set.	-	-	-	-	-	-	-	-
Education Support Fund	67.8	69.0	65.0	45.0	50.0	55.0	60.0	65.0
LA Econ Dev Port Dev Infra Fund	-	-	-	-	-	-	-	-
Workforce Develop Fd/sales	15.0	13.4	12.7	11.6	12.2	12.5	13.0	13.5
Tourism Promotion Dist/sal	25.6	24.5	21.5	19.6	20.6	21.2	22.1	22.9
2% Fire Insurance/excise lic	16.3	16.6	17.5	17.4	18.3	18.6	19.8	21.0
Fire Marshall/excise license	11.4	13.7	12.3	14.3	15.0	15.3	16.3	17.3
LSU Fireman Training /excise	2.3	2.7	2.5	2.9	3.0	3.1	3.3	3.5
Retirement Systems/insurance	52.8	54.8	55.1	57.4	60.3	61.4	65.4	69.3
State Police Salary Fund	15.6	15.6	15.6	15.6	15.6	15.6	15.6	15.6
Video Poker	63.5	61.5	66.3	61.5	62.4	64.4	67.1	69.0
Racetrack Slots	25.7	28.7	27.9	27.3	27.4	27.5	27.6	27.6
Lottery	129.7	131.6	122.5	135.8	126.2	126.2	126.2	126.2
SELF Fund	175.1	161.9	163.2	150.9	152.7	156.3	161.4	166.8
Riverboat Gaming	62.6	57.9	57.8	57.8	58.0	59.0	60.5	61.6
Compulsive & Problem Gaming	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Budget Stabilization	-	-	-	-	-	-	-	-
Haz Waste Site	4.1	3.6	3.1	3.1	3.1	3.1	3.1	3.1
Supervision&Inspection Fees	8.6	8.8	8.6	6.5	7.0	7.5	8.0	8.5
Inspection Gasoline Fee	5.4	5.5	5.3	4.9	5.0	4.9	5.0	5.2
Louisiana & Tobacco Funds	73.4	74.1	81.5	67.4	63.0	63.9	65.0	66.1
Tobacco Tax Health Care Fund	42.5	42.2	42.4	37.6	37.5	37.4	37.3	37.2
Rapid Response Fund/Economic Dev	7.8	8.8	10.0	10.0	10.0	10.0	10.0	10.0
Rapid Response Fund/Workforce	-	10.0	10.0	9.9	10.0	10.0	10.0	10.0
Unclaimed Property Leverage	15.0	15.0	15.0	15.0	15.0	15.0	15.0	15.0
Capitol Tech	-	-	10.0	10.0	10.0	10.0	10.0	10.0
Provider Fees	112.5	110.3	106.1	106.1	106.1	106.1	106.1	106.1
NOW Waiver Fund	50.0	-	-	-	-	-	-	-
Total Dedications	1,874.1	1,769.7	1,784.9	1,728.3	1,730.6	1,767.2	1,809.4	1,850.7
GENERAL FUND REVENUE	10,181.2	9,385.8	8,059.9	7,862.9	8,021.1	8,204.4	8,400.0	8,649.0
Fund Balance Transfer	-	-	-	86.2	-	-	-	-
GENERAL FUND REVENUE (including Fund Balance Transfer)	10,181.2	9,385.8	8,059.9	7,949.1	8,021.1	8,204.4	8,400.0	8,649.0

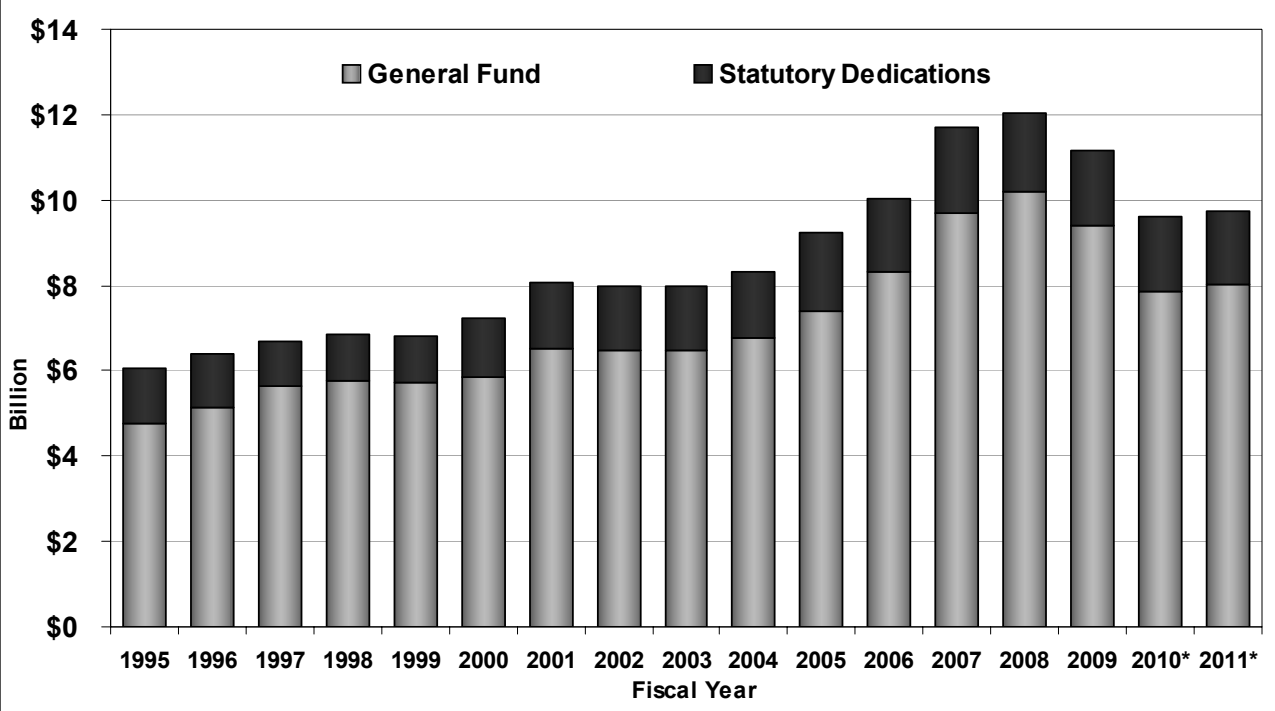
LOUISIANA ECONOMIC FORECAST SUMMARY BY FISCAL YEAR END JUNE 30

	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
Macroeconomic Assumptions					
Population (Thousand)	4,324.5	4,397.4	4,420.2	4,434.9	4,449.2
<i>% Change</i>	-6.1%	2.5%	1.7%	0.3%	0.3%
Louisiana Non-Agricultural Employment (Thousand)	1,888.4	1,931.8	1,940.2	1,913.1	1,919.8
<i>% Change</i>	2.5%	2.3%	0.4%	-1.4%	0.4%
National Non-Agricultural Employment (Million)	137.0	137.8	134.6	131.0	131.9
<i>% Change</i>	1.4%	0.6%	-2.3%	-2.7%	0.6%
Louisiana Wages and Salaries (\$ Billion)	75.6	80.8	83.6	82.4	82.6
<i>% Change</i>	8.7%	6.9%	3.4%	-1.5%	0.3%
National Wages and Salaries (\$ Billion)	6,248.5	6,498.0	6,433.0	6,364.9	6,539.6
<i>% Change</i>	6.1%	4.0%	-1.0%	-1.1%	2.7%
Inflation (Personal Consumption Deflator - Year 2005 = 100)	104.0	107.4	109.1	110.0	110.5
<i>% Change</i>	2.4%	3.3%	1.6%	0.8%	0.5%
Annual Change in U.S. Real Gross Domestic Product	2.0%	2.2%	-2.2%	0.3%	2.8%
Mineral-Related Assumptions					
Severance Crude Oil Price (\$/barrel)	61.50	97.00	69.71	69.32	65.64
<i>% Change</i>	0.3%	57.7%	-28.1%	-0.6%	-5.3%
Oil Production (Million Barrels)	76.8	77.1	68.8	67.0	66.7
<i>% Change</i>	11.5%	0.4%	-10.8%	-2.6%	-0.4%
Henry Hub Natural Gas Price (\$/mmbtu)	6.87	8.28	5.93	3.78	4.92
<i>% Change</i>	-23.3%	20.5%	-28.4%	-36.3%	30.2%
Natural Gas Severance Rate (¢/MCF)	37.3	26.9	28.8	33.1	15.3
Natural Gas Production (Million MCF)	1,353.3	1,373.7	1,379.0	1,400.7	1,380.9
<i>% Change</i>	5.6%	1.5%	0.4%	1.6%	-1.4%

TAXES, LICENSES & FEES Major Revenue Sources



TAXES, LICENSES AND FEES



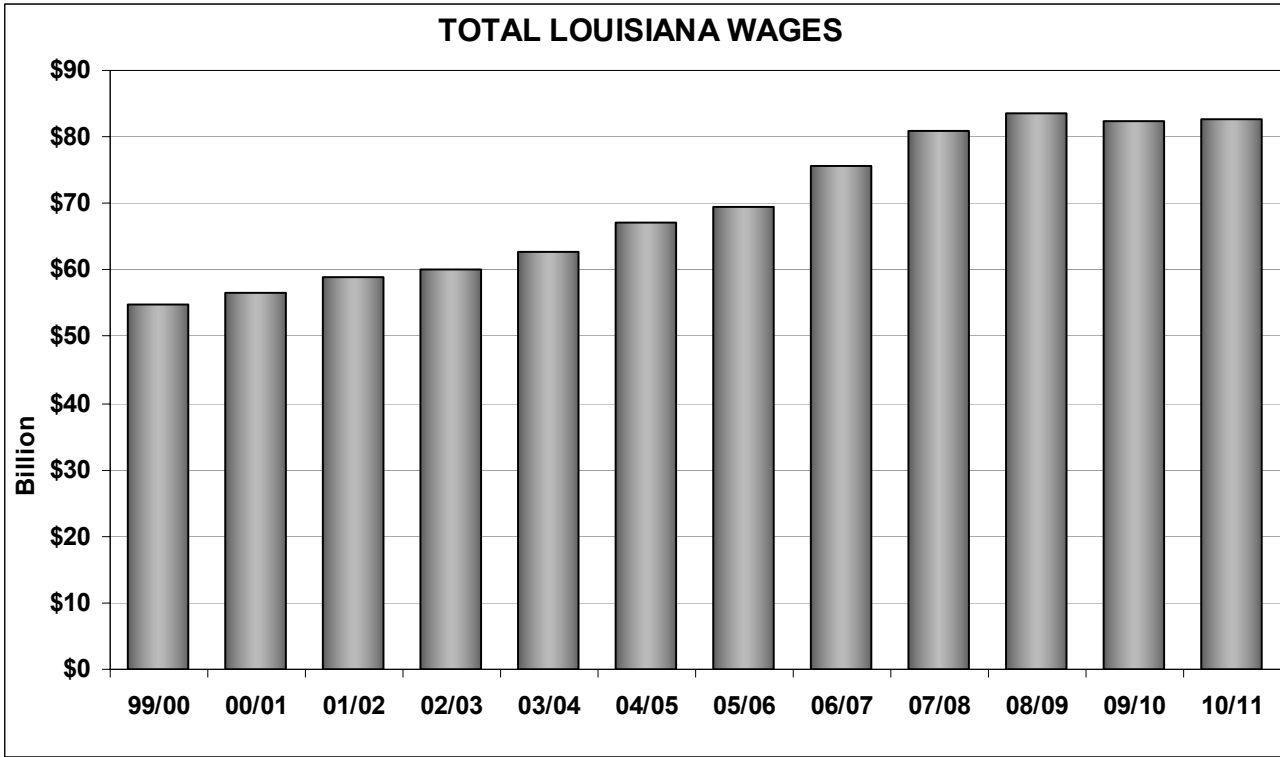
Louisiana Employment and Wages

Over the last three fiscal years, Louisiana non-farm employment had been steadily rising, in tune with national economic activity. However, the financial crisis from late 2008 and its subsequent recession put a stop to such increases. For the current fiscal year FY2009/10 non-farm employment is estimated to fall by about 1.4%, with a slight recovery for FY2010/11.

Louisiana nominal wages grew annually by 3.4% in FY 2008/09, but are projected to shrink by 1.5% in FY2009/10. For FY2010/11 the growth in nominal wages is anticipated to be a flat 0.3%. The slowing growth is attributable to the current national recession.

Louisiana Employment (Thousands, SA)	FY 2006/07	FY 2007/08	FY 2008/09	FY 2009/10 forecast	FY 2010/11 forecast
Statewide Nonfarm Employment	1,888	1932	1,940	1,913	1920
Goods Producing	337	342	343	331	326
Natural Resources & Mining	50	53	55	52	52
Construction	131	133	139	138	133
Total Manufacturing	156	156	149	141	141
Service Providing	1,549	1,588	1,598	1,582	1594
Trade, Transportation & Utilities	379	385	381	368	362
Information	27	28	27	26	26
Financial Activities	96	95	94	91	91
Professional & Business Services	198	204	205	202	206
Education & Health Services	241	252	259	264	274
Leisure & Hospitality	190	195	197	193	196
Other Services (except Public Administration)	67	69	69	69	69
Total Government	351	360	366	369	370

Source: Moody's Economy.com.



U.S. Real Gross Domestic Product

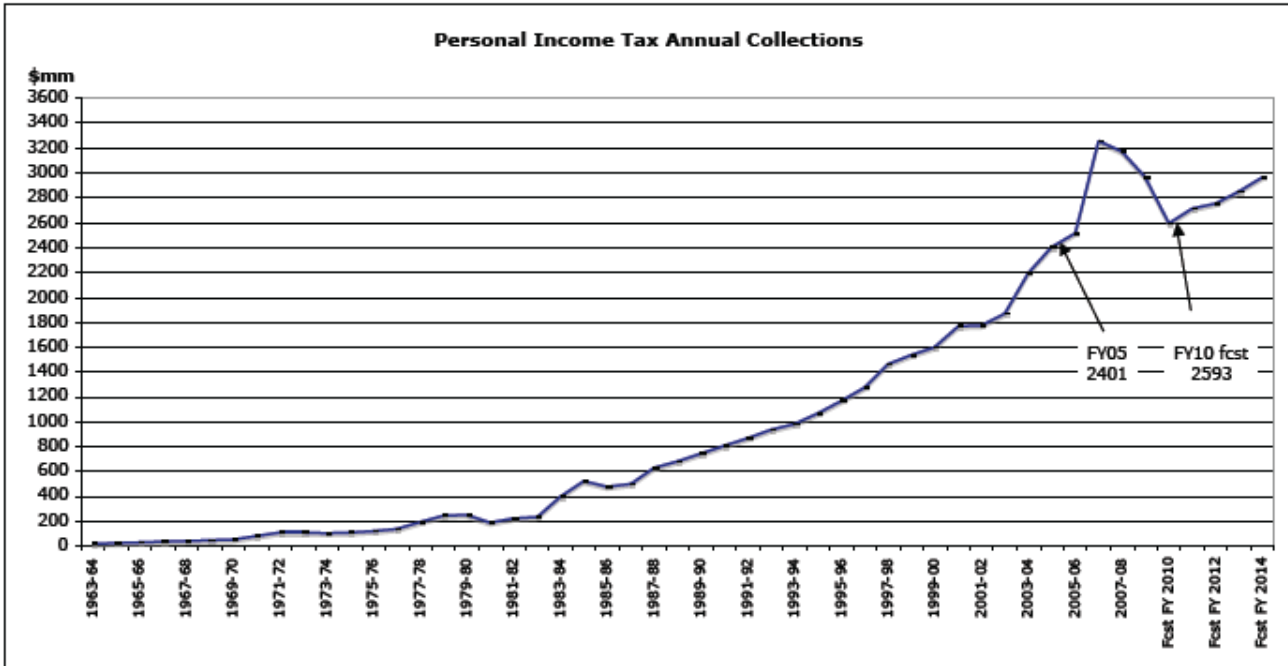
The following is based upon the Moody's Economy.com data and forecast. The year 2009 is shaping up to be one of the worst years for the U.S. economy after World War II. The recession, which began late 2007, continued throughout 2008 and 2009. U.S. real GDP fell by 2.2% during FY2008/09, and close to 7 million jobs were lost since the economic downturn started. The national unemployment rate is now at about 10% and is widely expected remain at that level for a protracted period of time before it recedes. During FY2009/10 U.S. real GDP is expected to remain flat, and engage in a moderate recovery by FY2010/11.



History of the major revenue sources

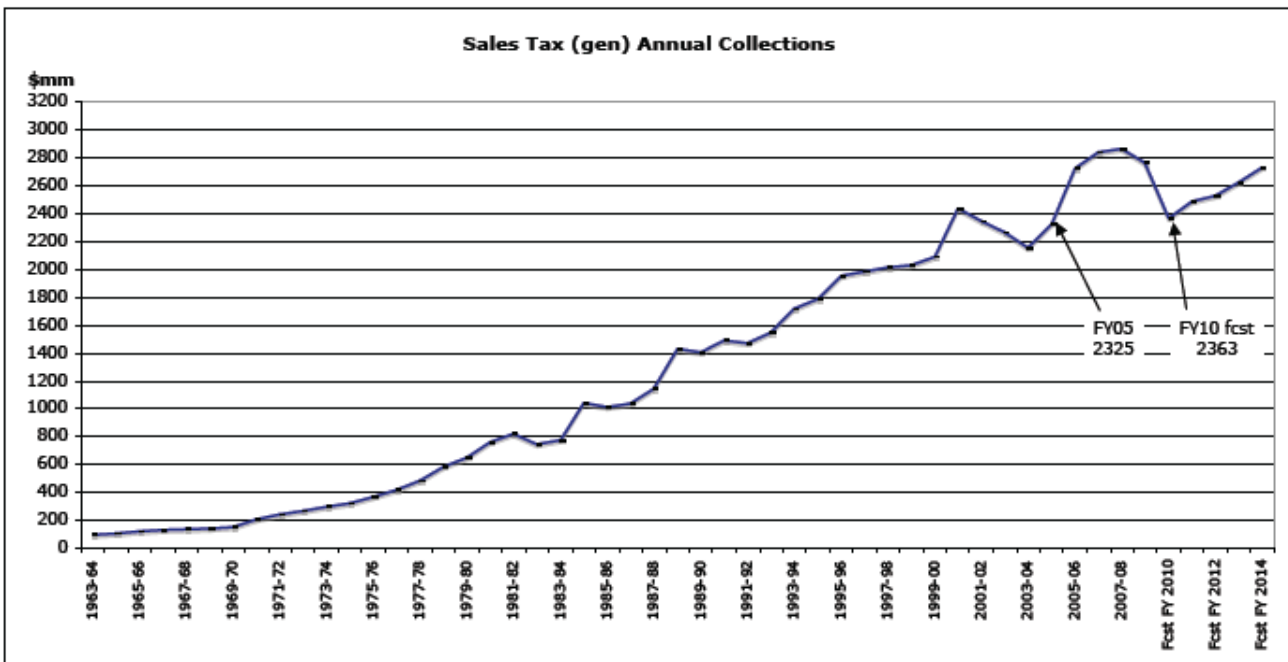
Individual Income Tax

Below is a chart that shows the history of Individual Income Tax collections, since the early 1960s. In the aftermath of Hurricanes Katrina and Rita, collections for this tax increased significantly. The current Official Forecast estimates collections to revert to about pre-storm levels.



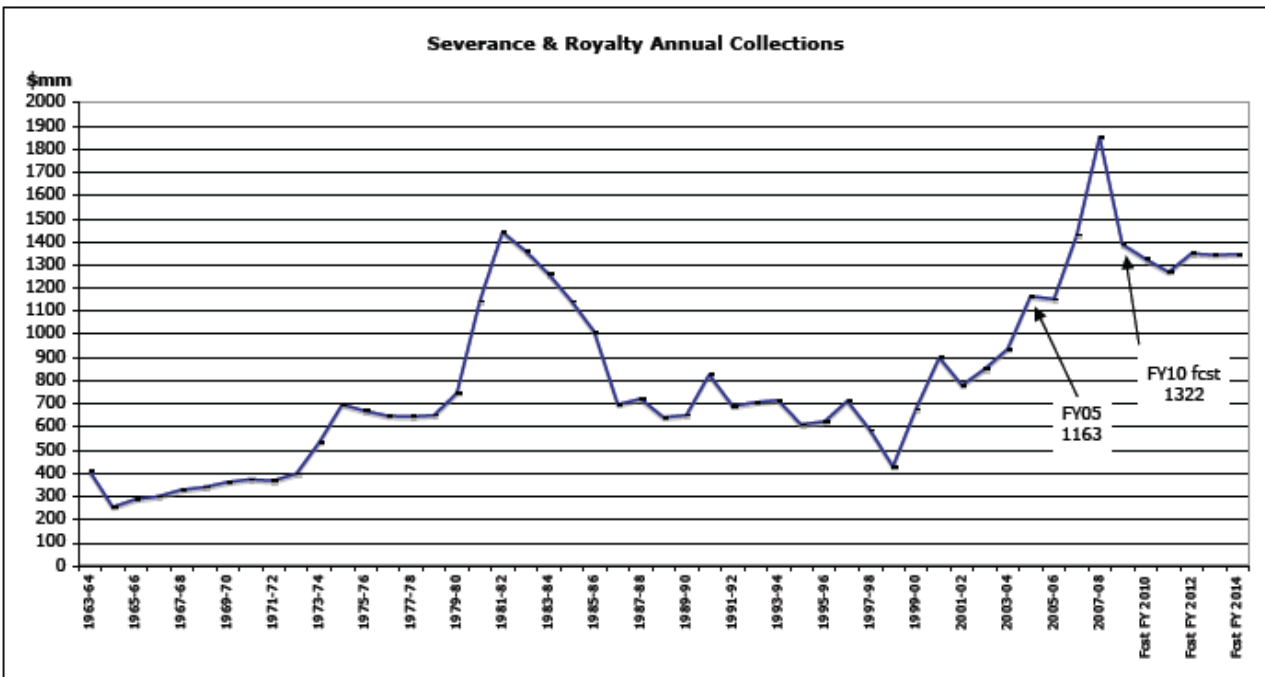
General Sales Tax

A similar chart is shown for the next most important revenue source for Louisiana, the General Sales Tax. Again, the fiscal years immediately after Hurricanes Katrina and Rita saw a significant rise in collections; the current Official Forecast puts such revenues at about pre-storm levels.



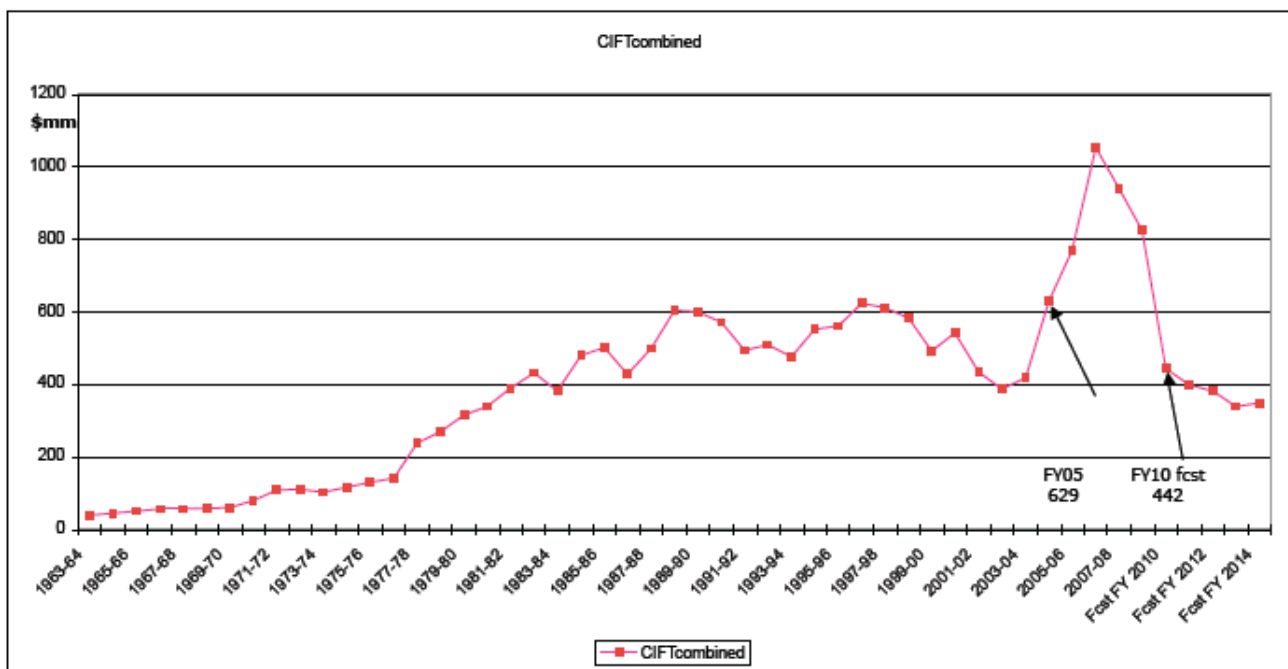
Severance Tax & Royalty collections

The next chart shows revenues for Louisiana coming from severance tax and royalties.



Corporate Income & Franchise Tax

Finally, this last chart illustrates collections for the Corporate Income & Franchise Taxes. In the aftermath of Hurricanes Katrina and Rita, such collections soared to historic heights, and only now such revenues are reverting to about pre-storm levels.



Revenue Summary - Fiscal Year 2008-2009

As the U.S. economy entered into a recession late 2007, economic activity slowed down in Louisiana as well, and with it tax revenue collection. During FY2008/09 Taxes, Licenses and Fees collections fell by 7.5% and State General Fund revenue shrank by about 7.8%.

	FY 2008/09 Actual (Million \$)	Annual Change (Million \$)	Annual Growth (%)
Taxes, Licenses and Fees	11,155.5	-899.8	-7.5
Statutory Dedications	1,769.7	-104.4	-5.6
State General Fund	9,385.7	-795.5	-7.8

The following table ranks the revenue sources that contributed at least \$50 million to the increase over the prior fiscal year:

Annual Revenue Increases Greater than \$50 Million

Revenue Source	Annual Change (Million \$)	Annual Change (%)
Bonuses	73.7	122.2

Unfortunately, there were not too many of such sources. The increase in Bonuses collection is mainly driven by the Haynesville Shale natural gas boom, which took place over the summer of 2008. Natural gas exploration companies signed up for prospective drilling at very high bonuses; however, as the natural gas price fell, this boost in prospective drilling decreased significantly [and with it, bonus collections].

The next table ranks the revenue sources with the largest annual percentage declines and a \$10 million or more decrease during FY2008/09:

Annual Revenue Decreases Greater than \$10 Million

Revenue Source	Annual Change (Million \$)	Annual Change (%)
Royalties	-250.0	-32.6
Severance Tax	-214.9	-19.8
Individual Income Tax	-202.6	-6.4
Sales Tax	-101.8	-3.6
Corporate Income Tax	-93.3	-13.2

As the high energy prices over the summer of 2008 subsided and then fell during the course of FY2008/09, it is no surprise that mineral revenue, and especially severance tax and royalties, would fall along with them. And such is exactly what happened. Royalties decreased by almost a third, compared to FY2007/08, and severance tax collection by almost a fifth. At the same time, the U.S. economy entered a protracted period of very sluggish or even negative growth, which had an effect on the most important revenue sources of our state, the Individual Income Tax, the Sales Tax and the Corporate Income Tax.

Revenue Summary - Fiscal Year 2009-2010

The December 17, 2009 Revenue Estimating Conference (REC) adopted a forecast that significantly reduced the outlook for revenue collection in Taxes, Licenses and Fees (TLF). Compared to the actual TLF collection for FY2008/09, the forecasted decrease is about \$1.5 billion, or 14%. The national recession brought about extra caution in the FY2009/10 outlook. This is especially seen in the General Sales Tax collections, which have notably slowed since the early months of FY2009/10. In addition, the expansion of the income tax brackets and the re-establishment of the state deduction for total federal itemized deductions in excess of the federal standard deduction may have an impact on revenue collection.

	FY 2009/10 Forecast (Million \$)	Annual Change (Milion \$)	Annual Change (%)
Taxes, Licenses and Fees	9,591.2	-1,564.1	-14.0
Statutory Dedications	1,728.3	-41.4	-2.3
State General Fund	7,862.9	-1,522.8	-16.2

The following table ranks the revenue sources with the largest percentage growth and a \$10 million or higher increase over the prior fiscal year:

Annual Revenue Increases Greater than \$10 Million

Revenue Source	Annual Change (Million \$)	Annual Change (%)
Severance Tax	18.3	2.1
Excise License (Insurance Premiums)	14.6	4.6

In this recession environment, not too many revenue sources are projected to show positive changes, compared to FY2008/09. The Severance Tax is forecast to increase revenues, compared to last fiscal year, because of the recovery of oil prices during this current fiscal year. The Excise License Tax is also forecasted to show some strength in its collections.

The following table ranks the revenue sources with the largest projected annual percentage declines

and a \$50 million or more estimated decrease during Fiscal Year 2009/10:

Annual Revenue Decreases Greater than \$15 Million

Revenue Source	Annual Change (Million \$)	Annual Change (%)
General Sales Tax	-399.3	-14.5
Individual Income Tax	-373.1	-12.6
Corporate Income Tax	-267.5	-43.7
Corporate Franchise Tax	-115.4	-54.2
Bonuses	-114.1	-85.1
Royalties	-83.7	-16.2
Vehicle Sales Tax	-52.0	-16.9

The General Sales Tax is showing significant weakness in its collection, since early in this current fiscal year. The national recession is a major factor in this slowdown. Individual Income Tax projections include fiscal impact of actions taken in the previous legislative session, particularly continued phase-in of excess itemized deductions and the expansion of the taxable income brackets. The national recession's impact on the state's wages and employment also contributed somewhat to this decline. Corporate Income and Franchise Tax collections are projected to see major reductions, fueled by the current recessionary environment. Bonus revenues will revert to normal after the significant increase during last fiscal year, due to the Haynesville Shale exploration boom. Royalties are projected to fall (compared to FY2008/09), because oil prices have decreased from their peaks in the previous fiscal year. The Motor Vehicle Sales Tax is estimated to see a slowdown for the same reason as the General Sales Tax; consumers are retrenching and thus, sales tax collections suffer.

Revenue Summary - Fiscal Year 2010-2011

The December 17, 2009 Revenue Estimating Conference (REC) projects a modest increase in the state general fund for FY2010/11, compared to the projection for the previous fiscal year. The modest increase can be explained by a slow, but steady increase in economic activity over the coming year.

	FY 2010/11 Forecast (Million \$)	Annual Change (Million \$)	Annual Change (%)
Taxes, Licenses and Fees	9,751.7	160.5	1.7
Statutory Dedications	1,730.6	2.2	0.1
State General Fund	8,021.1	158.2	2.0

The following table shows revenue sources that are projected to increase by \$50 million or more during Fiscal Year 2010/11:

Annual Revenue Increases Higher than \$50 Million

Revenue Source	Annual Change (Million \$)	Annual Change (%)
General Sales Tax	123.0	5.2
Individual Income Tax	118.0	4.6

The increase projected in both of these taxes is linked to the expectation of a slow, but continual increase in economic activity, which may be reflected in increased tax revenues.

The following table ranks the revenue sources with the largest projected annual percentage declines and a \$15 million or more estimated decrease during Fiscal Year 2010/11:

Annual Revenue Decreases Greater than \$15 Million

Revenue Source	Annual Change (Million \$)	Annual Change (%)
Severance Tax	-97.8	-11.0
Corporate Franchise Tax	-47.0	-48.3
Interest Earnings (SGF)	-20.0	-15.4

Severance Tax collections are projected to fall, compared to FY2009/10, because of lower natural gas prices. The Severance Tax on natural gas is a volume tax, which depends largely on the prices of natural gas of the previous fiscal year. During FY2009/10 such prices reached historic lows, which almost likely will be reflected in a significantly lower volume (severance) tax on natural gas for FY2010/11. Corporate Franchise Tax revenues are estimated to fall, because of the general economic

environment; even though the economic environment might slowly improve, it may not mean an immediate translation into higher corporate collections. Interest earnings on state general fund investments are estimated to be lower, as interest rates continue to be at historic lows.

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