



# LOUISIANA

POPULAR ANNUAL FINANCIAL REPORT

For The Fiscal Year Ended June 30, 2013

# Introduction

The Popular Annual Financial Report (PAFR) is prepared within six months after the close of each 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, as well as facilitating wide dissemination of the report to the public. 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 Comprehensive Annual Financial Report (CAFR) for the State of Louisiana.

The CAFR 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 (in the Government-wide Financial Analysis section) that departs from GAAP since it does not include the entire GAAP reporting entity (such as discrete component units of the State) and includes only selected financial data. Discrete component units are reported separately in the CAFR and are legally separate organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading. Additionally, the data found in the "Budgetary Information" section departs from GAAP because it is prepared on a non-GAAP budgetary basis.

The source of all illustrations is the 2013 and/or prior year CAFRs unless otherwise indicated.

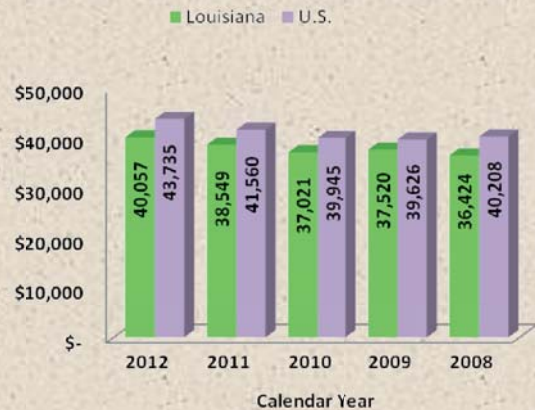
The financial data presented in the "Government-wide Financial Analysis" and "General Fund Balance Sheet" sections of this report use the same accounting measurements and principles as the CAFR. A copy of the CAFR can be obtained on the Office of Statewide Reporting and Accounting Policy's (OSRAP) website at [www.doa.louisiana.gov/osrap/cafr-2.htm](http://www.doa.louisiana.gov/osrap/cafr-2.htm).

# Economic Outlook

Louisiana has enjoyed three straight years of growth and actually began to set new employment records in January 2013. Louisiana is one of only 14 states in the nation with more people employed in 2013 than in January 2008. Several factors are behind this fact. Louisiana's chemical industry is doing extremely well and new chemical firms have announced expansions in the state. Approximately \$83.8 billion in construction projects are either underway or have been announced. Louisiana's unemployment rate decreased by .9% in 2012. Louisiana added 25,800 non-farm jobs in 2013 and is expected to add 34,200 in 2014, and another 33,600 in 2015. Forecasts indicate that sometime in 2015, Louisiana will have more than two million people employed for the first time in its history. In 2012, Louisiana's median household income decreased by \$1,573 while income per capita increased by \$1,508. The following tables illustrate comparisons between Louisiana and the U.S.

(Fiscal year 2013 is not presented due to the unavailability of the 2013 information at the date of this printing.)

## Income Per Capita Last 5 Calendar Years



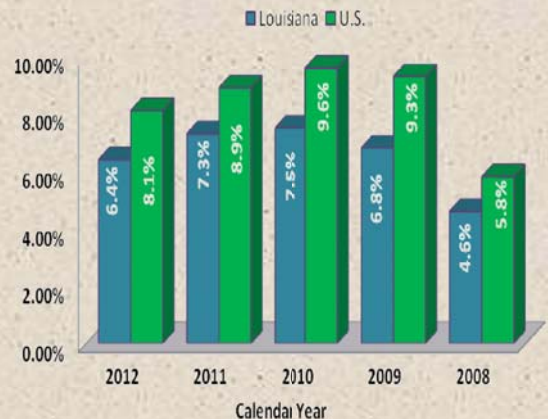
Source: 2013 CAFR & Bureau of Economic Analysis

## Median Household Income Last 5 Calendar Years



Source: U.S. Census Bureau

## Unemployment Rate Last 5 Calendar Years



Source: 2012 CAFR & Bureau of Labor Statistics

# Number of State Employees

Louisiana employed 75,326 state civil service employees in fiscal year 2013. This represented a reduction of 10,537 (12%) fulltime positions in the fiscal year 2013 budget, which was accomplished through elimination of positions, as well as a combination of retirements and attrition.

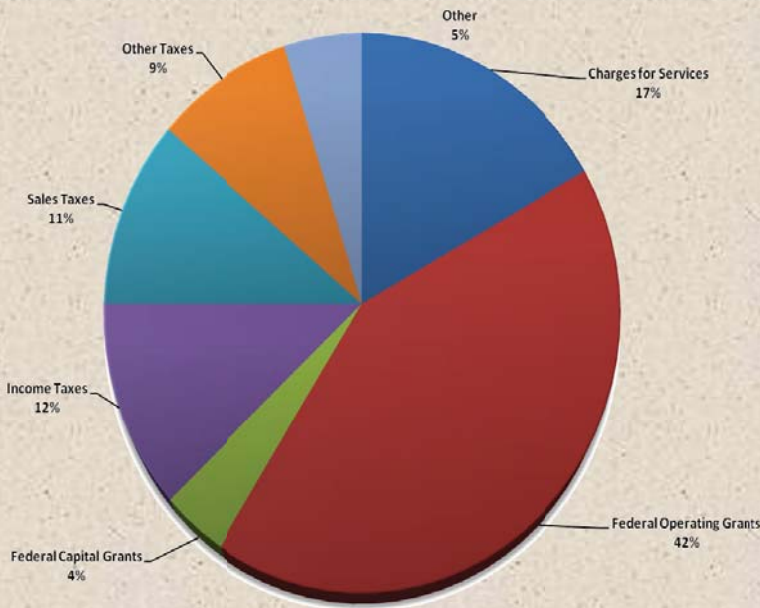
**State Employees**  
Last 10 Fiscal Years



# Government-wide Financial Analysis

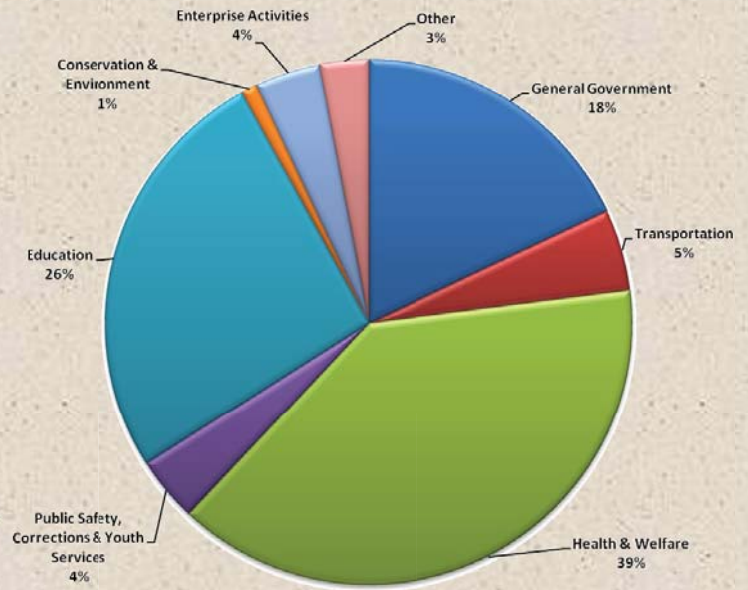
Government-wide activities provide a broad overview of the State's finances similar to private-sector accounting. The government-wide activities present the financial position and operating results of the State. Discrete component units (e.g. Louisiana Lottery Corporation) are excluded from this analysis (see introductory section) because the PAFR focuses on the State government reporting entities other than discrete component units. Fiduciary funds (such as pension funds) are also excluded from the State's government-wide financial statements in the CAFR as well as the PAFR because the State cannot use these assets to finance its operations. However, the Net Pension Obligation (NPO) of the fiduciary funds is included in this analysis and the CAFR because it is a liability of the State.

The government-wide statements reflect total assets of \$31.2 billion (\$185 million increase from prior year) and total liabilities of approximately \$17.6 billion (\$818 million increase from prior year). As a result, total net position (total assets less total liabilities) equaled approximately \$13.6 billion at June 30, 2013, a decrease of \$658 million or 5% from last year. On the Statement of Activities (Operating Statement) total expenditures exceeded total revenue by \$845 million (see Management's Discussion & Analysis in the CAFR for an explanation of increases and decreases).



**Government-wide Revenues**

State revenue totaled \$25.2 billion in fiscal year 2012-2013. These revenues and other state assets were used to support government programs. The accompanying chart shows revenue by source. Federal grants (capital and operating) comprised 46% of the State's revenue and were for specific purposes.



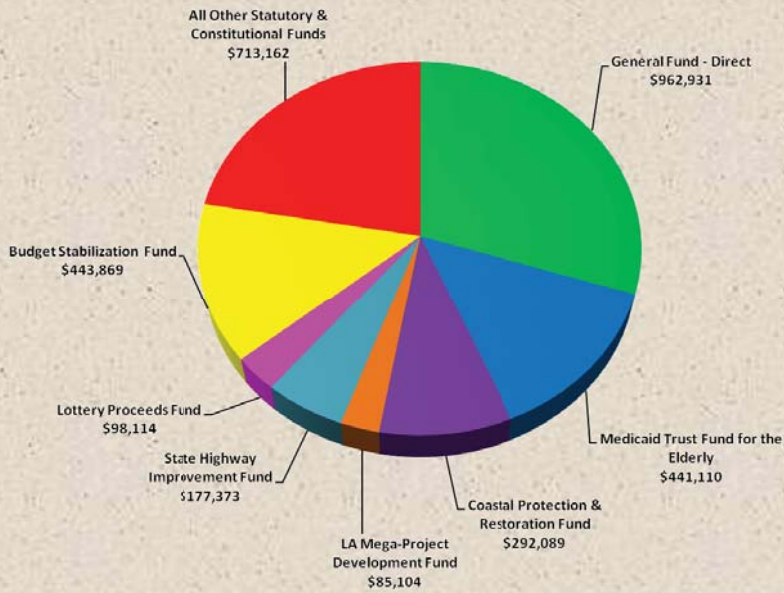
**Government-wide Expenses**

On a government-wide basis, the State spent \$26 billion. As depicted in the accompanying chart, health and welfare represents the State's largest spending category accounting for 39% of the State's spending for the fiscal year. Education and general government follow, accounting for 26% and 18% of the State's spending, respectively.



# General Fund Balance Sheet

General Fund Balance with Statutory  
& Constitutional Funds Included  
(in thousands)



The balance sheet of the General Fund, the chief operating fund of the State, is generally of special 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 now reported in the State General Fund for CAFR reporting purposes. Regardless of the CAFR presentation as required by generally accepted accounting principles, these funds are still maintained as individual self-balancing accounts in the State Treasury as required by state statute.

At June 30, 2013, the General Fund had assets of \$7.1 billion and liabilities of \$3.9 billion, leaving a total fund balance of \$3.2 billion. Of this balance, \$2.3 billion is comprised of statutorily dedicated funds and \$963 million of General Fund (Direct) and are depicted in the chart on 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 spent. The accompanying chart depicts the five 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.

**Restricted Fund Balance** - the portion of fund balance with externally imposed constraints from creditors or from Constitutional restrictions.

**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 are usually created by the Joint Legislative Committee on the Budget approvals of year-end encumbrance roll-overs into the subsequent fiscal year.

**Unassigned Fund Balance** - the residual classification for the government's General Fund and includes all spendable amounts not contained in the other above classifications.

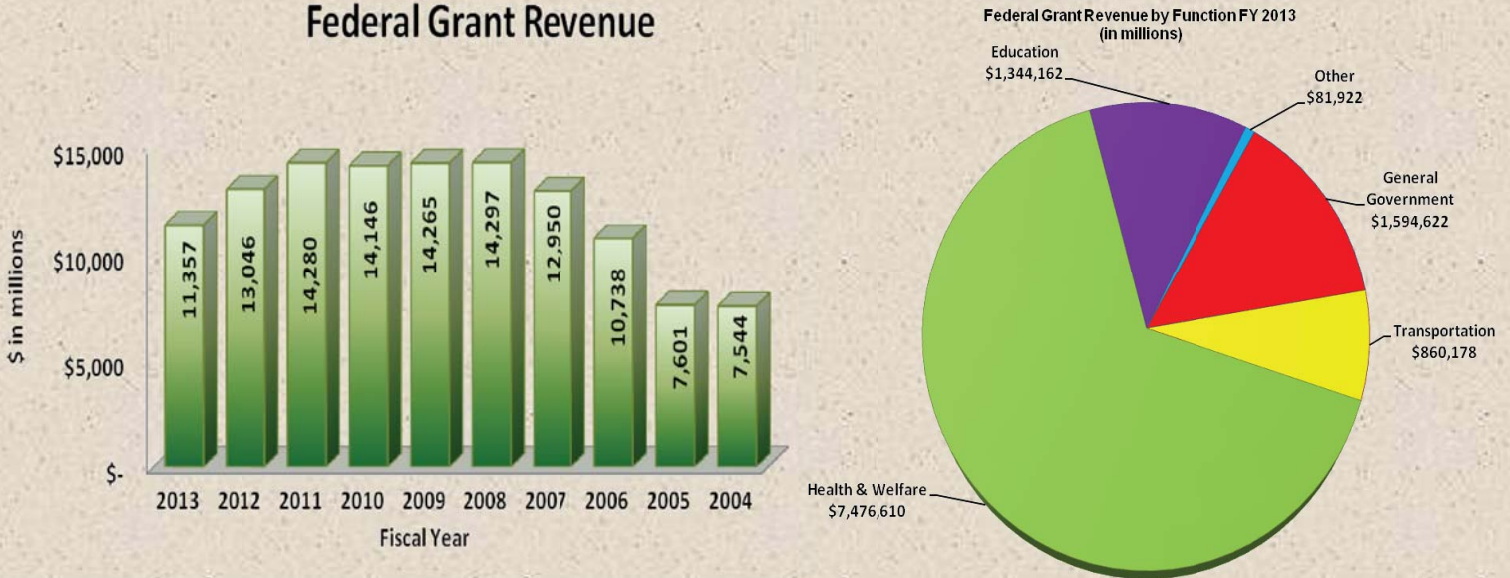
## Components of General Fund Balance



# Federal Grant Revenue

The federal government awards financial assistance to the State in the form of federal grants. These federal grants increased in the years after Hurricanes Katrina and Rita in 2005 but have been decreasing since 2011. For the fiscal year ended June 30, 2013, total grant revenue was \$11.3 billion with health and welfare programs receiving \$7.5 billion, followed secondly by general government and third by education, receiving \$1.6 billion and \$1.3 billion respectively. Various other State departments received the remaining \$900 million.

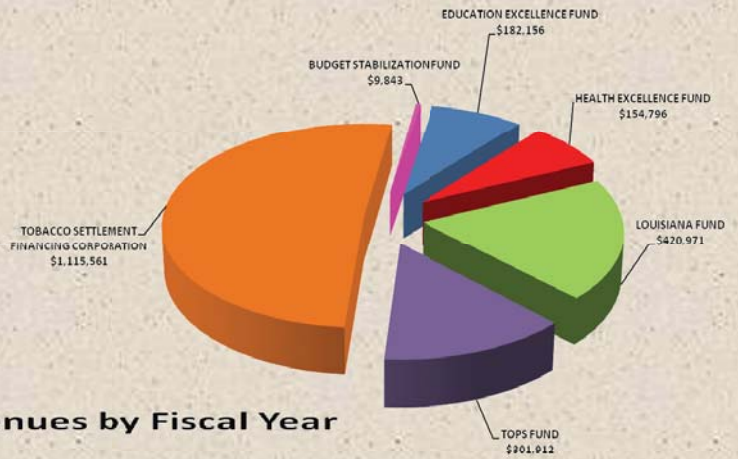
## Federal Grant Revenue



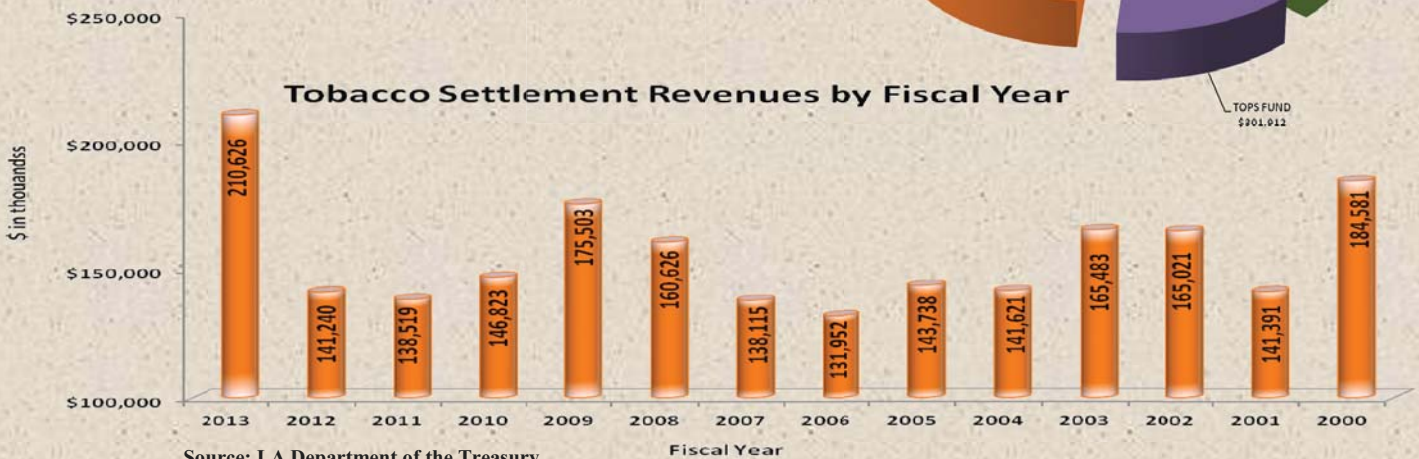
# Tobacco Settlement Revenue

The Tobacco Settlement Revenues (TSRs) consist of amounts collected as part of a Master Settlement Agreement (MSA) between participating cigarette manufacturers (PMs) and 46 states and other jurisdictions (Settling States). Under the MSA, the PMs are required to pay the Settling States annual payments in perpetuity. The graphs below display the total TSRs received by the State and where these revenues were deposited from inception of the MSA through fiscal year 2013. The graphs do not include the bond proceeds received from securitizing 60% of the State's future TSRs through the Tobacco Settlement Corporation.

## Tobacco Settlement Revenue Deposits by Fund through Fiscal Year 2013 (in thousands)



## Tobacco Settlement Revenues by Fiscal Year



Source: LA Department of the Treasury

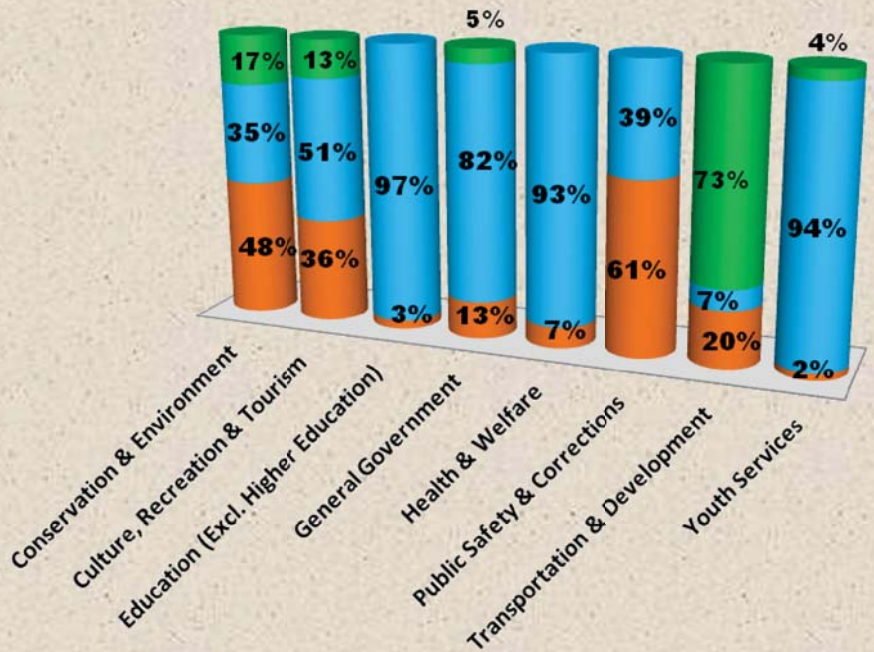


# Governmental Expenditures

Governmental fund expenditures totaled \$25.2 billion. These expenditures include \$2.5 billion for payroll and related employee costs, \$20.9 billion for costs related to operating services and other charges, and \$1.8 billion for capital outlay. The sources of funding for these expenditures include \$14.1 billion in state funding and \$11.1 billion in federal funding. The Louisiana Departments of Education, Transportation and Development and Public Safety and Corrections comprise \$8.8 billion of these expenditures, of which \$7 billion is state funded and \$1.8 billion is federally funded. Debt service and intergovernmental expenditures are not depicted in these functional graphs and total more than \$1.5 billion.

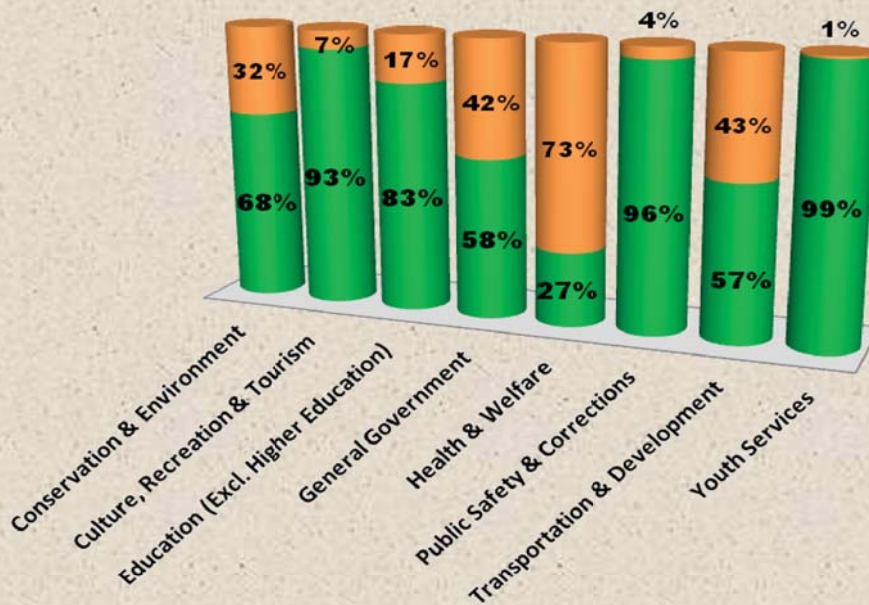
## Governmental Fund Expenditures by Expenditure Category

Payroll & Related Benefits    Operating Services & Other Charges    Capital Outlay



## Percentage of State Funded Expenditures to Federally Funded Expenditures for Governmental Funds by Category

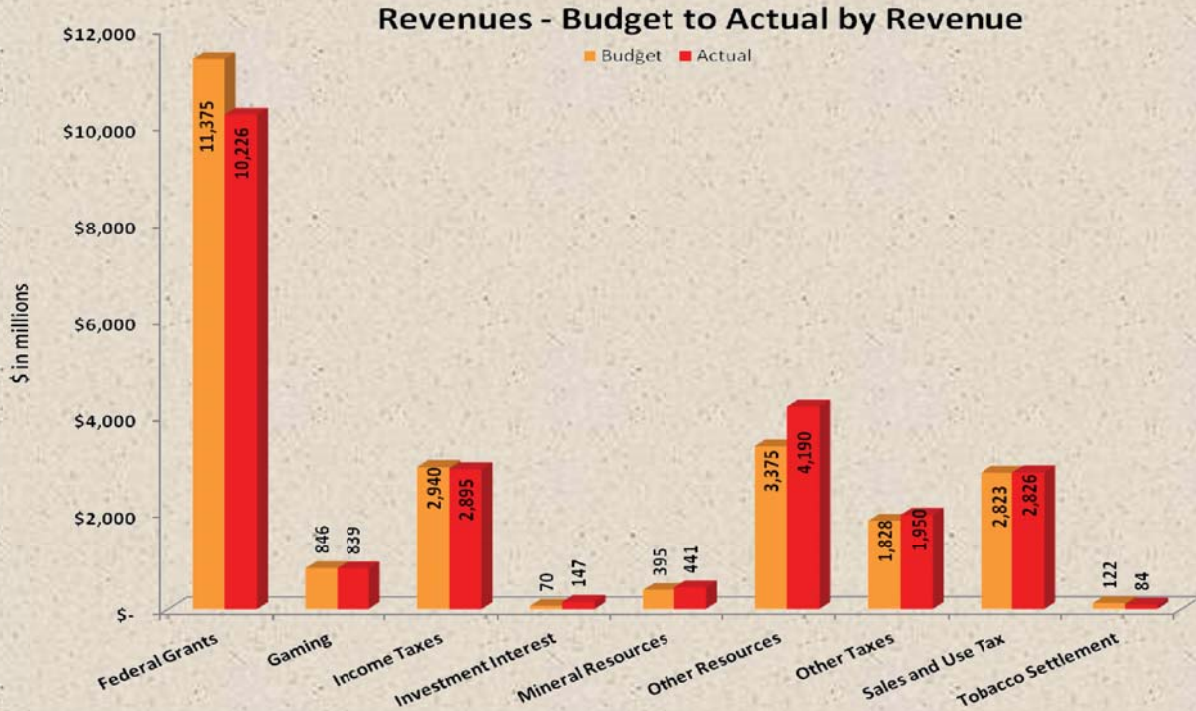
State Funded    Federally Funded



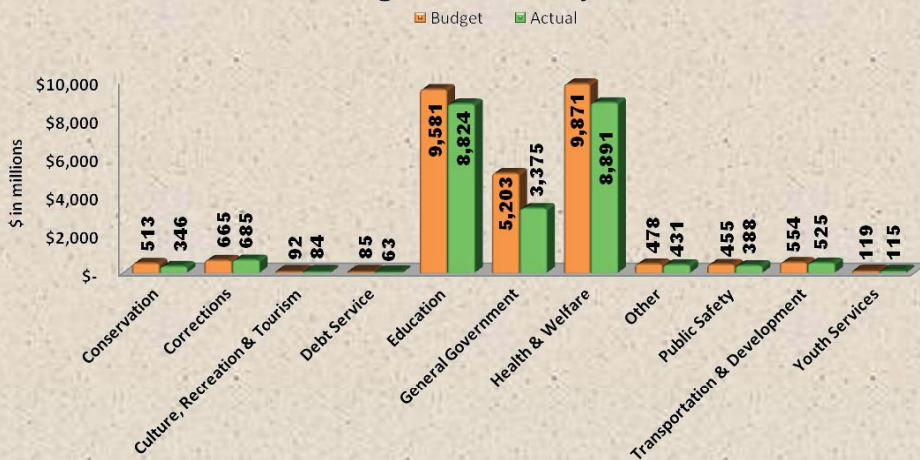
# Budgetary Information

## Revenues

The State of Louisiana is legally required to prepare a balanced annual budget, and all state agencies are required to adhere to the budget during the fiscal year. The accompanying graph depicts the budgeted and actual revenues and illustrates the performance of the State in adhering to the legally adopted revenue budget. The revenues are presented by source, which is mostly comprised of federal grants and various taxes. All budgeted revenues of the General Appropriation Bill for all funds, including the General Fund, are included in this depiction.



### General Fund Expenditures - Budget to Actual by Function



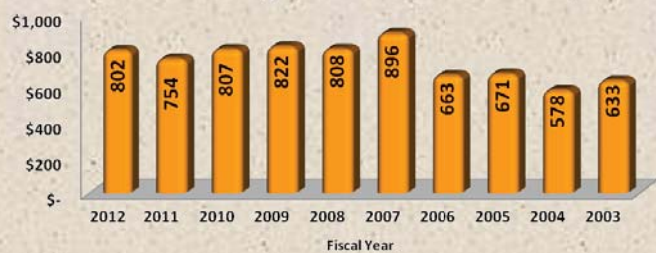
## General Fund Expenditures

While the revenue graph depicts the revenue budget by sources of revenue, as well as actual receipts by source of all funds, the expenditure graph depicts budgeted and actual expenditures of the General Fund, the State's chief operating fund. The accompanying graph illustrates the budgeted and actual expenditures of the General Fund by function of government. It also illustrates the State's performance in adhering to the legally adopted expenditure budget.

LRS 39:1365(25) and 39:1402(D) limit the authorization and issuance, respectively, of general obligation bonds. Debt Service per Capita is the amount the State will pay per person for the general obligation debt of the State. Based on the U.S. Census Bureau population statistics, the debt service per capita for fiscal year 2012 was \$802. (Fiscal year 2013 is not presented due to the unavailability of the 2013 population estimate at the date of this printing.)

## State Debt

### General Obligation Debt Service Per Capita



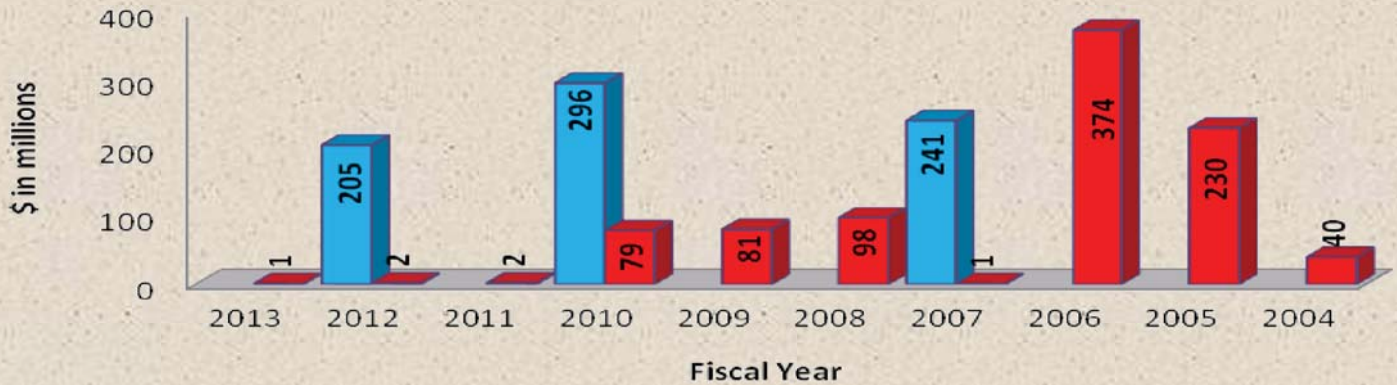
# Budget Stabilization Fund

The Budget Stabilization Fund was created in 1990 for use as a source of funding in times of declining revenues. The fund receives its monies from excess mineral revenues, non-recurring revenues, monies in excess of the expenditure limit, investment earnings, and other monies appropriated by the legislature. One-third of the fund balance can be spent if the official forecast for recurring revenues for the next fiscal year is less than the official forecast of recurring revenues for the current fiscal year, or if a deficit for the current fiscal year is projected due to a decrease in recurring revenues. For fiscal year 2013, \$1 million in interest earnings was deposited into the Budget Stabilization Fund. According to LRS 39:94, no appropriation or deposit to the fund shall be made if such appropriation or deposit would cause the balance in the fund to exceed four percent of total State revenue receipts for the previous fiscal year. The Budget Stabilization Fund cap was \$777 million for fiscal year 2013. There were no expenditures from the fund for fiscal year 2013. The fund balance of the Budget Stabilization Fund was \$444 million at the end of fiscal year 2013.

## Budget Stabilization Fund

■ Expenditures ■ Deposits

Last 10 Fiscal Years



# Retirement System Funding

The accompanying graph shows the trends of the funded percentages of the Actuarial Accrued Liability (AAL) for the State's four retirement systems over the past five fiscal years. The Funded Percentage is the percentage of the AAL that is currently funded to pay future retiree benefits. A retirement system's Unfunded Actuarial Accrued Liability (UAAL) is the present value of benefits accrued that are expected to be paid in future retiree benefits over and above the current actuarial value of plan assets (resources).

## Funded Percentage of Actuarial Accrued Liability





# Other Postemployment Benefits

Louisiana's Division of Administration, Office of Group Benefits (OGB), is the administrator of a plan that provides health and life insurance benefits to eligible participants. Substantially all state employees become eligible for postemployment benefits if they reach normal retirement age while working for the State and are a member of OGB. Through self-insured and self-funded OGB programs, premiums are collected and benefits are paid as they become due in accordance with an agreement between the employers and plan members, and their beneficiaries.

Effective July 1, 2007, the State began reporting the liability for other postemployment benefits (Net OPEB Obligation). Each year the State records the adjusted Annual Required Contribution (ARC) less contributions. The ARC represents the normal cost and a portion of the Unfunded Actuarial Accrued Liability (UAAL) amortized over thirty years. The Net OPEB Obligation at the end of fiscal year 2013 was approximately \$2.5 billion and is reported on the Statement of Net Position in the CAFR. The UAAL that is expected to be paid in future retiree benefits over and above current resources was approximately \$5.4 billion. As of June 30, 2013, no assets have been accumulated to fund future postemployment benefit costs.

**Net OPEB Obligation**



**Unfunded Actuarial Accrued Liability**



# Transportation

Louisiana maintains 12,905 bridges and 60,646 miles of roads and streets. Construction of roads and bridges continues to occur throughout the State through Louisiana's Transportation Infrastructure Model for Economic Development (TIMED) program. The TIMED program was established to expand and improve transportation infrastructure across Louisiana. The program includes widening 536 miles of two-lane highways to four lanes and new construction or improvements to three major bridge projects. To date, twelve (75%) of the sixteen major transportation projects have been completed. The completed projects are U.S. 90 from Morgan City to Houma; WestBank Expressway in Jefferson Parish; Tchoupitoulas Street Corridor in Greater New Orleans; West Napoleon Boulevard in Jefferson Parish; LA 15 from the Louisiana state line in Natchez, Mississippi to Monroe, Louisiana; Earhart Boulevard from Orleans Parish to Loyola Avenue; U.S. 171 from Lakes Charles to Shreveport; U.S. 61 from Thompson Creek to Mississippi; John James Audubon Mississippi River Bridge; Huey P. Long Bridge; and improvements to the New Orleans International Airport and Port of New Orleans. Department of Transportation and Development (DOTD) infrastructure expenditures for the fiscal year ended June 30, 2013 totaled approximately \$1.3 billion.

**DOTD Infrastructure Expenditures Last 5 Fiscal Years**

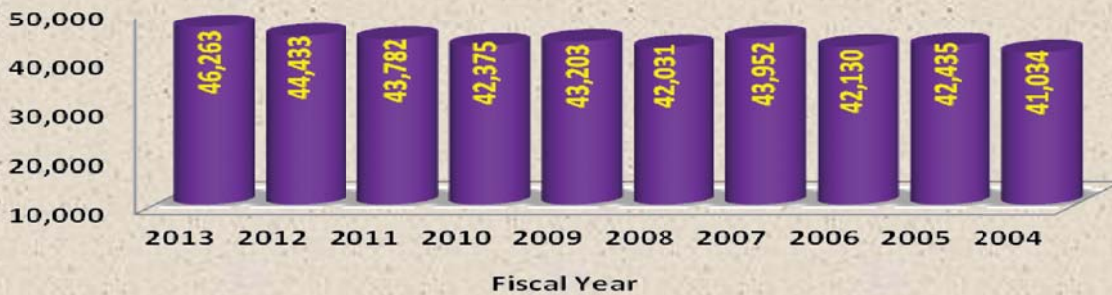


# Education

Taylor Opportunity Program for Students (TOPS), created by LRS 17:3048.1, is a program of state scholarships for Louisiana residents who attend one of Louisiana's public colleges and universities, schools that are a part of the Louisiana Community and Technical College System, Louisiana approved Proprietary and Cosmetology Schools, or institutions that are a part of the Louisiana Association of Independent Colleges and Universities. Legislation found in LRS 17:3048.1 authorizes the State to financially assist any student who enrolls on a full-time basis to pursue an academic undergraduate degree or a skill or occupational training, as defined by the Board of Regents, including a vocational or technical education certificate or diploma program or a nonacademic undergraduate degree. The accompanying charts depict the number of TOPS recipients and amounts of TOPS awards for the last ten fiscal years. In fiscal year 2013, \$192,085,151 was awarded to 46,263 recipients. Information on eligibility requirements and applying for TOPS awards can be found at the Louisiana Office of Student Financial Assistance's website at [www.osfa.louisiana.gov](http://www.osfa.louisiana.gov).

## TOPS Recipients

Last 10 Fiscal Years



## TOPS Awards

Last 10 Fiscal Years



## Public College & University Enrollment

Last 5 Fiscal Years



Higher Education in public institutions of Louisiana consists of four main systems: the University of Louisiana System, Louisiana Community & Technical College System, Louisiana State University System, and Southern University System. Enrollment in these systems reached 421,204 in fiscal year 2013. The Board of Regents is authorized to develop a master plan for public higher education in Louisiana to raise the educational attainment of its adult residents to successfully compete in the 21<sup>st</sup> century world economy. It also addresses the need to strategically invest in targeted research to sustain and expand the State's economic prosperity through development of skilled, educated residents. For more information on higher education in Louisiana, visit the Board of Regents website at [www.regents.louisiana.gov](http://www.regents.louisiana.gov).

Source: LA Board of Regents

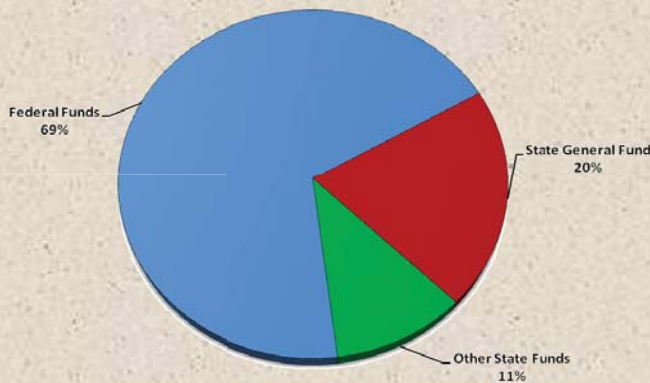


# Health and Welfare

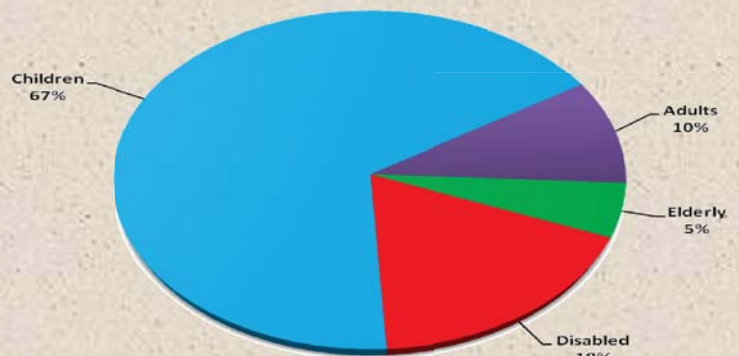
Louisiana is dedicated to providing its residents with the best social welfare and economic security available. Many programs and services have been established to aid individuals in need of benefits from the health and welfare system. Louisiana healthcare, which incurs much of the State's expenses, has made significant improvements in the provision of health and welfare services to its residents. The Medicaid program, one of the largest health insurance programs in the State, provided medical services for slightly over one million Louisiana residents during the fiscal year ended June 30, 2013. Services were provided to 53,189 elderly, 182,584 disabled, and 100,757 adult residents, as well as 680,370 children. The overall enrollment decreased by 8,329 individuals. \*

\*Enrollment figures are estimated based on information obtained from the Department of Health and Hospitals and are revised yearly; however, only the original estimates are reported here.

**Medicaid Expenditures By Means of Financing**



**Louisiana Medicaid Enrollment by Category**



Louisiana's Medicaid expenditures are grouped into two types, Medical Vendor Program (MVP) and Medical Vendor Administration, both which are jointly funded by state and federal dollars. Medicaid expenditures for the fiscal year ended June, 30, 2013 totaled \$7.3 billion with \$1.5 billion funded by State General Fund; \$790 million funded by other state funding sources; and \$5 billion funded by federal funds.

Louisiana has transformed Medicaid by moving away from a strictly fee-for-service system to a coordinated care system. Under the Bayou Health delivery system, Louisiana's Medicaid and Louisiana Children's Health Insurance Program (LaCHIP) recipients will receive coordinated health care services which should lead to better access, more choices and improved health for patients, with provider rates no less than those in fee-for-service Medicaid. As of June 30, 2013, approximately 892,637 enrolled members received coordinated health care services through the five health plans of Bayou Health, namely Amerigroup, Community Health Solutions, Louisiana Healthcare Connections, AmeriHealth Caritas, and United Health Care.

# Louisiana Agricultural and Natural Resources

| Commodity                       | 2012<br>(in dollars)   |                        |                         |
|---------------------------------|------------------------|------------------------|-------------------------|
|                                 | Gross Farm Value       | Value Added            | Total Value             |
| Cattle (calves)                 | \$498,861,711          | \$62,357,714           | \$561,219,425           |
| Horses                          | 426,873,500            | 44,821,718             | 471,695,218             |
| Poultry                         | 958,507,658            | 934,544,966            | 1,893,052,624           |
| Aquaculture (e.g. craw fish)    | 257,365,712            | 173,721,856            | 431,087,568             |
| Fisheries/Marine (e.g. seafood) | 278,065,750            | 269,776,226            | 547,841,976             |
| Cotton                          | 231,853,805            | 46,370,761             | 278,224,566             |
| Feed Grain Crops                | 675,962,247            | 118,293,393            | 794,255,640             |
| Forestry                        | 758,901,403            | 2,086,978,858          | 2,845,880,261           |
| Rice                            | 371,419,683            | 111,425,905            | 482,845,588             |
| Soybeans                        | 700,050,662            | 105,007,599            | 805,058,261             |
| Sugarcane                       | 586,073,097            | 406,734,730            | 992,807,827             |
| Other                           | 932,561,460            | 323,649,593            | 1,256,211,053           |
| <b>TOTAL</b>                    | <b>\$6,676,496,688</b> | <b>\$4,683,683,319</b> | <b>\$11,360,180,007</b> |

Source: LA Summary of Agriculture and Natural Resources  
LA State University AgCenter  
Unofficial statistics

Animal, fisheries, and plant commodities make up the multi-billion dollar agriculture industry in Louisiana. Agricultural and natural resource industries provide diversification of the economy of Louisiana and provide economic benefits to urban and rural communities. This table depicts the gross farm value i.e., the commodity's contribution to economic activity in the state, and the value added due to cleaning, processing, packaging, marketing and transporting the commodity to yield the total contribution to the state's economy. Forestry produced the most income of all agricultural commodities, followed by poultry production which was the largest animal agricultural industry.

**WEBSITE ADDRESSES**

State of Louisiana  
Office of the Governor  
Division of Administration  
Office of Statewide Reporting and Accounting Policy

[www.louisiana.gov](http://www.louisiana.gov)  
[www.gov.louisiana.gov](http://www.gov.louisiana.gov)  
[www.doa.louisiana.gov/da](http://www.doa.louisiana.gov/da)  
[www.doa.louisiana.gov/osrap](http://www.doa.louisiana.gov/osrap)

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