MIDTERM REPORT CARD

Successes, Challenges and Prospects for the Next Two Years

Speaker Jim Tucker
SUCCESSES
2008 AND 2009 SUCCESSES

- Legislative, Judicial and Local Governmental Ethics Reform
- Cut Taxes or gave Tax Credits 35 time over the last two years
- Balanced the Budget Without Raising Taxes
- Began Planning Process for the Next Two Years
  - Streamline Commission
  - Postsecondary Education Review Commission
2008 and 2009 SUCCESSES

- **Strategic Capital Investments:**
  - Prior Year Surplus Spending
    - Coastal Restoration - Higher Education
    - DOTD/Road Projects - Superdome Improvements
  - Capital Outlay
    - Medical Center of La at NO - Wet-Lab Business Incubators
    - Hurricane Recovery - La. Cancer Research Center
  - Mega Fund
    - Federal City - V-Vehicle Company
    - NASA Michoud Assembly Facility - Foster Farms
  - Federal Stimulus
    - Higher Ed, MFP, flex grant - DSS
2008 and 2009 SUCCESSES

- State Fair 2nd Best Among 50 States during Recession by Portfolio.com
  - Job Growth
  - Unemployment
  - Wage growth
  - Income Growth
  - Home Value Growth
  - Construction Growth

- State Unemployment Rate – 6.7% in November, 2009
  - Southern Average – 9.3%
  - National Average – 10.0%

- Louisiana Ranked #1 in 2008 by Southern Business Magazine for Places to do Business in the South (tied with Tennessee)
2008 and 2009 SUCCESSES

- Louisiana Experience it’s Third Year in a Row of Net Population In-Migration
  - Over 18,000 more people moving into Louisiana than out in 2009

- Louisiana Finished in the Top 25 for the Second Consecutive Year in Site Selection Magazine’s Top State Business Climate Rankings

- General Obligation Bond Rating Increases by Fitch and Standards & Poor to AA-
  - Increase in Outlook from Stable to Positive from Moody’s
CHALLENGES
# FY 2008 GENERAL FUND SOUTHERN STATE COMPARISON

Source: National Association of State Budget Officers

<table>
<thead>
<tr>
<th>State</th>
<th>Estimated 2008 Population</th>
<th>General Fund</th>
<th>Per Capita GF</th>
<th>Percent of South</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA</td>
<td>4,451,513</td>
<td>$10,232</td>
<td>$2,299</td>
<td>131.5%</td>
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<tr>
<td>WV</td>
<td>1,814,873</td>
<td>$3,929</td>
<td>$2,165</td>
<td>123.9%</td>
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<tr>
<td>NC</td>
<td>9,247,134</td>
<td>$18,832</td>
<td>$2,037</td>
<td>116.5%</td>
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<tr>
<td>VA</td>
<td>7,795,424</td>
<td>$15,767</td>
<td>$2,023</td>
<td>115.7%</td>
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<tr>
<td>KY</td>
<td>4,287,931</td>
<td>$8,664</td>
<td>$2,021</td>
<td>115.6%</td>
</tr>
<tr>
<td>AR</td>
<td>2,867,764</td>
<td>$5,575</td>
<td>$1,944</td>
<td>111.2%</td>
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<tr>
<td>GA</td>
<td>9,697,838</td>
<td>$18,728</td>
<td>$1,931</td>
<td>110.5%</td>
</tr>
<tr>
<td>AL</td>
<td>4,677,464</td>
<td>$8,229</td>
<td>$1,759</td>
<td>100.7%</td>
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<tr>
<td>TX</td>
<td>24,304,290</td>
<td>$41,669</td>
<td>$1,714</td>
<td>98.1%</td>
</tr>
<tr>
<td>MS</td>
<td>2,940,212</td>
<td>$4,938</td>
<td>$1,679</td>
<td>96.1%</td>
</tr>
<tr>
<td>TN</td>
<td>6,240,456</td>
<td>$10,257</td>
<td>$1,644</td>
<td>94.1%</td>
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<tr>
<td>OK</td>
<td>3,644,025</td>
<td>$5,981</td>
<td>$1,641</td>
<td>93.9%</td>
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<tr>
<td>SC</td>
<td>4,503,280</td>
<td>$6,392</td>
<td>$1,419</td>
<td>81.2%</td>
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<tr>
<td>FL</td>
<td>18,423,878</td>
<td>$24,112</td>
<td>$1,309</td>
<td>74.9%</td>
</tr>
<tr>
<td>Southern Average</td>
<td>104,896,082</td>
<td>$183,305</td>
<td>$1,747</td>
<td>100.0%</td>
</tr>
</tbody>
</table>
CHALLENGES
Systemic Problems

• Bloated Public Spending
CPI PROJECTED TOTAL STATE SPENDING COMPARED TO ACTUAL STATE SPENDING

(IN MILLIONS $)

- FY 99-00: $8,839.2
- FY 00-01: $9,410.2
- FY 01-02: $9,302.9
- FY 02-03: $9,508.4
- FY 03-04: $10,223.4
- FY 04-05: $10,316.4
- FY 05-06: $11,316.5
- FY 06-07: $11,947.4
- FY 07-08: $14,917.0

TOTAL-CPI vs TOTAL Actual
CHALLENGES
Systemic Problems

- Bloated Public Spending
- Retirement Losses
HISTORY OF THE RETIREMENT UAL

10-Year History of Retirement UAL

- Teachers UAL
- State Employees UAL
- TOTAL UAL

Billions

$0 $2 $4 $6 $8 $10 $12 $14 $16 $18

CHALLENGES
Systemic Problems

- Bloated Public Spending
- Retirement Losses
- Federal Disallowances
FEDERAL DISALLOWANCE

- Road Hazard Disallowance - $310 Million
- Public Nursing Facilities Disallowance of Intergovernmental Transfers - $120 Million
- DSH Overpayment to LSU-HCSD - $362 Million
CHALLENGES

Systemic Problems

- Bloated Public Spending
- Retirement Losses
- Federal Disallowances
- Broken Health Delivery System
CHALLENGES
Systemic Problems

- Bloated Public Spending
- Retirement Losses
- Federal Disallowances
- Broken Health Delivery System
- Employment Base Too Large
### STATE GOVERNMENT EMPLOYMENT AND PAYROLL DATA: MARCH 2007 -- EXCLUDING HOSPITALS

**Revised November 2008**

**SOURCE:** 2007 Census of Government Employment. For information on nonsampling error and definitions, see [http://www.census.gov/govs/www/apessstl07.html](http://www.census.gov/govs/www/apessstl07.html). Data users who create their own estimates from these tables should cite the U.S. Census Bureau as the source of the original data only.

<table>
<thead>
<tr>
<th>State</th>
<th>Function</th>
<th>Full-time employees</th>
<th>Part-time employees</th>
<th>Employment</th>
<th>Full-Time Pay</th>
<th>March 2007</th>
<th>FTE Employment</th>
<th>% of March Payroll</th>
<th>Rank South Payroll</th>
<th>% of March Payroll</th>
<th>Payroll Per Capita</th>
<th>Average Per Capita</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Alabama</strong></td>
<td>Total</td>
<td>67,889</td>
<td>26,012</td>
<td>76,900</td>
<td>282,428,125</td>
<td>4,627,851</td>
<td>166</td>
<td>5</td>
<td>126%</td>
<td>5</td>
<td>$61.03</td>
<td>$61.03</td>
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<tr>
<td><strong>Arkansas</strong></td>
<td>Total</td>
<td>49,335</td>
<td>13,683</td>
<td>54,573</td>
<td>175,443,013</td>
<td>2,834,797</td>
<td>193</td>
<td>2</td>
<td>146%</td>
<td>4</td>
<td>$61.89</td>
<td>$61.89</td>
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<tr>
<td><strong>Florida</strong></td>
<td>Total</td>
<td>167,638</td>
<td>44,906</td>
<td>184,982</td>
<td>679,890,237</td>
<td>18,251,243</td>
<td>101</td>
<td>14</td>
<td>77%</td>
<td>12</td>
<td>$44.30</td>
<td>$44.30</td>
</tr>
<tr>
<td><strong>Georgia</strong></td>
<td>Total</td>
<td>104,764</td>
<td>41,279</td>
<td>119,296</td>
<td>422,871,859</td>
<td>9,544,750</td>
<td>125</td>
<td>12</td>
<td>95%</td>
<td>11</td>
<td>$44.30</td>
<td>$44.30</td>
</tr>
<tr>
<td><strong>Kentucky</strong></td>
<td>Total</td>
<td>67,758</td>
<td>25,933</td>
<td>75,410</td>
<td>264,806,492</td>
<td>4,241,474</td>
<td>178</td>
<td>4</td>
<td>134%</td>
<td>3</td>
<td>$62.43</td>
<td>$62.43</td>
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<tr>
<td><strong>Louisiana</strong></td>
<td>Total</td>
<td>64,325</td>
<td>20,251</td>
<td>70,720</td>
<td>255,412,356</td>
<td>4,293,204</td>
<td>165</td>
<td>6</td>
<td>125%</td>
<td>6</td>
<td>$59.49</td>
<td>$59.49</td>
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<tr>
<td><strong>Mississippi</strong></td>
<td>Total</td>
<td>38,527</td>
<td>13,502</td>
<td>43,673</td>
<td>142,316,846</td>
<td>2,918,785</td>
<td>150</td>
<td>8</td>
<td>113%</td>
<td>10</td>
<td>$48.76</td>
<td>$48.76</td>
</tr>
<tr>
<td><strong>North Carolina</strong></td>
<td>Total</td>
<td>112,177</td>
<td>36,262</td>
<td>125,555</td>
<td>459,457,739</td>
<td>9,061,032</td>
<td>139</td>
<td>10</td>
<td>105%</td>
<td>9</td>
<td>$50.71</td>
<td>$50.71</td>
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<tr>
<td><strong>Oklahoma</strong></td>
<td>Total</td>
<td>59,438</td>
<td>23,946</td>
<td>67,164</td>
<td>234,976,054</td>
<td>3,617,316</td>
<td>186</td>
<td>3</td>
<td>140%</td>
<td>1</td>
<td>$64.96</td>
<td>$64.96</td>
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<tr>
<td><strong>South Carolina</strong></td>
<td>Total</td>
<td>62,985</td>
<td>16,838</td>
<td>68,698</td>
<td>234,808,517</td>
<td>4,407,709</td>
<td>156</td>
<td>7</td>
<td>118%</td>
<td>8</td>
<td>$53.27</td>
<td>$53.27</td>
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<tr>
<td><strong>Tennessee</strong></td>
<td>Total</td>
<td>69,141</td>
<td>25,020</td>
<td>77,268</td>
<td>267,095,743</td>
<td>6,156,719</td>
<td>126</td>
<td>11</td>
<td>95%</td>
<td>12</td>
<td>$43.38</td>
<td>$43.38</td>
</tr>
<tr>
<td><strong>Texas</strong></td>
<td>Total</td>
<td>227,092</td>
<td>72,060</td>
<td>256,453</td>
<td>955,252,113</td>
<td>23,904,380</td>
<td>107</td>
<td>13</td>
<td>81%</td>
<td>13</td>
<td>$39.96</td>
<td>$39.96</td>
</tr>
<tr>
<td><strong>Virginia</strong></td>
<td>Total</td>
<td>92,440</td>
<td>46,540</td>
<td>109,490</td>
<td>433,265,366</td>
<td>7,712,091</td>
<td>142</td>
<td>9</td>
<td>107%</td>
<td>7</td>
<td>$56.18</td>
<td>$56.18</td>
</tr>
<tr>
<td><strong>West Virginia</strong></td>
<td>Total</td>
<td>33,061</td>
<td>10,773</td>
<td>36,446</td>
<td>116,164,095</td>
<td>1,812,035</td>
<td>201</td>
<td>1</td>
<td>152%</td>
<td>2</td>
<td>$64.11</td>
<td>$64.11</td>
</tr>
<tr>
<td><strong>14 SOUTHERN STATE TOTAL</strong></td>
<td></td>
<td>1,366,628</td>
<td>4,924,188,555</td>
<td>103,383,386</td>
<td>132</td>
<td>100%</td>
<td>$47.63</td>
<td>100%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### EMPLOYMENT SUMMARY
(excludes hospitals)

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Calculated LA FTE Employment at Southern Average</td>
<td>56,752</td>
</tr>
<tr>
<td>Actual LA 2007 FTE Employment</td>
<td>70,720</td>
</tr>
<tr>
<td>LA Revised FTE State Employment</td>
<td>(13,968)</td>
</tr>
<tr>
<td>LA Revised March Payroll *</td>
<td>($50,446,869)</td>
</tr>
</tbody>
</table>

- Payroll is paid from all funds – SGF, Federal, Self Generated and Statutory Dedicated funds
CHALLENGES
Systemic Problems

- Bloated Public Spending
- Retirement Losses
- Federal Disallowances
- Broken Health Delivery System
- Employment Base Too Large
- Higher Education System Less Than Productive
### Higher Education

#### Six Year Graduation Rates, FY 2007-2008

<table>
<thead>
<tr>
<th>Institution</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>LSU A&amp;M (1)</td>
<td>65.1%</td>
</tr>
<tr>
<td>La Tech (2)</td>
<td>52.3%</td>
</tr>
<tr>
<td>ULL (2)</td>
<td>46.3%</td>
</tr>
<tr>
<td>Northwestern (4)</td>
<td>38.6%</td>
</tr>
<tr>
<td>McNeese (4)</td>
<td>37.3%</td>
</tr>
<tr>
<td>LSU-S (4)</td>
<td>35.5%</td>
</tr>
<tr>
<td>Grambling (4)</td>
<td>35.3%</td>
</tr>
<tr>
<td>Southeastern (3)</td>
<td>35.0%</td>
</tr>
<tr>
<td>ULM (3)</td>
<td>34.7%</td>
</tr>
<tr>
<td>Southern A&amp;M (3)</td>
<td>32.4%</td>
</tr>
<tr>
<td>Nicholls (4)</td>
<td>29.7%</td>
</tr>
<tr>
<td>LSU-E (9)</td>
<td>28.1%</td>
</tr>
<tr>
<td>UNO (2)</td>
<td>23.2%</td>
</tr>
<tr>
<td>LSU-A (7)</td>
<td>20.6%</td>
</tr>
<tr>
<td>Southern-Shreveport (10)</td>
<td>20.1%</td>
</tr>
<tr>
<td>SUNO (5)</td>
<td>9.6%</td>
</tr>
</tbody>
</table>
CHALLENGES
Systemic Problems

- Bloated Public Spending
- Retirement Losses
- Federal Disallowances
- Broken Health Delivery System
- Employment Base Too Large
- Higher Education System Less Than Productive
- K-12 Enrollment vs. Spending
K-12 ENROLLMENT VS. SPENDING

- State funds for K-12 Education exceed the SREB Average
  - Local Funding per pupil – 94% of SREB local average
  - La. Funding per pupil – 111% of SREB state average

- Louisiana only state legislature not authorized to amend the legislative instrument that becomes the MFP
CHALLENGES
Systemic Problems

- Bloated Public Spending
- Retirement Losses
- Federal Disallowances
- Broken Health Delivery System
- Employment Base Too Large
- Higher Education System Less Than Productive
- K-12 Enrollment vs. Spending
- Pace of Hurricane Recovery/LRA
HURRICANE RECOVERY

- Through the 4th Q 2009, OCD-DRU Reports $9.863 Billion Spent of the $13.41 Billion of CDBG funds (73.55%)
- $8.18 Billion has been Spent on the Road Home Program
- $1.683 Billion has been Spent on 29 Other Programs
- $3.547 Billion Remaining to be Spent
CHALLENGES
New Problems

- FMAP (Federal Medical Assistance Program)
- Declining Tax Collection – National Economic Situation
- Cost of National Health Care Reform to be Dumped on the States
FMAP (Federal Medical Assistance Percentage)

- ARRA rate currently 81.48% - expires December 31, 2010, midway through FY’10-’11
- Louisiana’s FMAP to decrease to 63.61 effective January 1, 2011
- Drop of nearly 18% will result in loss of federal match of $900 Million per year
- Louisiana’s FMAP has ranged from 70 – 73% since 2004
- 26% of the state population relies on the Medicaid program
DECLINING TAX COLLECTION

REC Adopted SGF Revenues (in millions of $)

<table>
<thead>
<tr>
<th>Date</th>
<th>First Year SGF</th>
<th>Second Year SGF</th>
</tr>
</thead>
<tbody>
<tr>
<td>10-Feb-08</td>
<td>$8,340.7</td>
<td>$0,000.0</td>
</tr>
<tr>
<td>9-May-08</td>
<td>$8,702.5</td>
<td>$0,000.0</td>
</tr>
<tr>
<td>15-Dec-08</td>
<td>$8,361.5</td>
<td>$0,000.0</td>
</tr>
<tr>
<td>18-Feb-09</td>
<td>$8,361.4</td>
<td>$0,000.0</td>
</tr>
<tr>
<td>21-May-09</td>
<td>$8,361.4</td>
<td>$0,000.0</td>
</tr>
<tr>
<td>17-Dec-09</td>
<td>$8,021.1</td>
<td>$7,800.0</td>
</tr>
</tbody>
</table>
NATIONAL HEALTH CARE REFORM COST SHIFTING

- Direct costs for the state could range from $130 Million per year for Medicaid expansion to as much as $400 Million per year.

- As net cost of Medicaid grows, the state’s budget shortfall would grow as well.

- Additional $400 Billion in taxes and $500 Billion in proposed Medicaid “savings” will accelerate cost-shifting that has increased private health insurance premiums in the past.
WHERE ARE WE NOW???
CONFLUENCE OF THE EXTRAORDINARY

- Gross Excessive Recurring Spending Post-Katrina
- Tax Reductions Designed to Stimulate the Economy
- National Economic Meltdown
FINANCIAL IMPACT

- FY ’09 – ’10 Mid Year Cuts - $248 Million
- FY ’10 – ’11 Shortfall - $1 Billion
- FY ’11 – ’12 Shortfall - $2.45 Billion
  - Expenditures are projected to increase $1.5 Billion from FY ’10 – ’11 levels
  - Federal Stimulus “loss” - $950 Million
SOLUTIONS OVER THE NEXT TWO YEARS

- Hospital Restructuring
- Retirement Reform
- Restructuring of Employment Base
- Federal Disallowances/FMAP
- Constitutional and Statutory Changes Implementing Higher Education Reform
- K – 12 Education Improvements
- Constitutional Amendments Dealing with Untouchable Budget Areas
- The Recovery
HOSPITAL RESTRUCTURING

- Restructuring the Charity Hospital System
  - Under Federal Health Care Legislation, Disproportionate Share Severely Cut
  - Focus on Medical Education

- Benefits
  - Lower Per Patient Day Costs
  - Less Bureaucracy and Potential for Fraud
  - A More Responsive and Financially Stable Private Hospital System
  - Potential Increase in Health Outcomes
RETIREMENT REFORM

- Defined Benefit Plan vs. Defined Contribution Plan
- Consolidating Investment Policy
- Benefits
  - Significant Future Risk Reduction to Taxpayers and Budget
  - Actuarial Solvency
  - Decrease Risk and Cost to Investment Portfolio
RESTSTRUCTURING OF THE EMPLOYMENT BASE

● Benefits
  - Ongoing Budget Savings
  - More Efficient Operations
  - “Freeing Up” Future Revenues for Other Investments
  - Lower Future Retirement Costs, both Normal and UAL
FMAP AND FEDERAL DISALLOWANCES

- **FMAP Benefits**
  - Budget Fairness

- **Federal Disallowances Benefits**
  - Balance Sheet Clean Up
  - Elimination of Outstanding Issues
IMPLEMENTING HIGHER EDUCATION REFORM

Benefits

- Matching Higher Education Needs to Private Sector Labor Needs
- Lowering Institutional Costs and Creating Operating Efficiencies
- Increasing the Number of Graduates thereby Increasing Personal Income Per Capita/Quality of Life
K – 12 EDUCATION IMPROVEMENTS

- Benefits
  - Modify the State Funding Formula so that Money Follows the Child, Not the School System
  - Reconstitute Charter School Authorization and Renewals into One Third Party Authorizing Entity
  - Further Incentivize Districts Financially by Increasing Performance Based Funding
DEALING WITH “UNTOUCHABLE BUDGET AREAS”

● Benefits
  – Eliminating Draconian Cuts to Higher Education and Health Care
  – Creating Management Flexibility Within the Budget
  – Better Implementation of K-12 Funding, including Charter School Expansion
THE RECOVERY

- Appointing of an Oversight Committee
- $3.457 Remains Unspent

Benefits
- Accelerating the Recovery
- Providing Transparency
- Making Additional Economic Development Investments
REDISSTRICTING
Far better it is to dare mighty things, to win glorious triumphs, even though checkered by failure, than to take rank with those poor spirits who neither enjoy much nor suffer much, because they live in the gray twilight that knows not victory nor defeat.

Theodore Roosevelt
1858-1919