

MIDTERM REPORT CARD

Successes,
Challenges and
Prospects for the Next
Two Years

Speaker Jim Tucker

SUCCESSSES



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
- DOTD/Road Projects
- Superdome Improvements
- Higher Education

- **Capital Outlay**

- Medical Center of La at NO
- Hurricane Recovery
- Wet-Lab Business Incubators
- La. Cancer Research Center

- **Mega Fund**

- Federal City
- NASA Michoud Assembly Facility
- V-Vehicle Company
- Foster Farms

- **Federal Stimulus**

- Higher Ed, MFP, flex grant
- DSS

2008 and 2009 SUCCESSES

- **State Faired 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

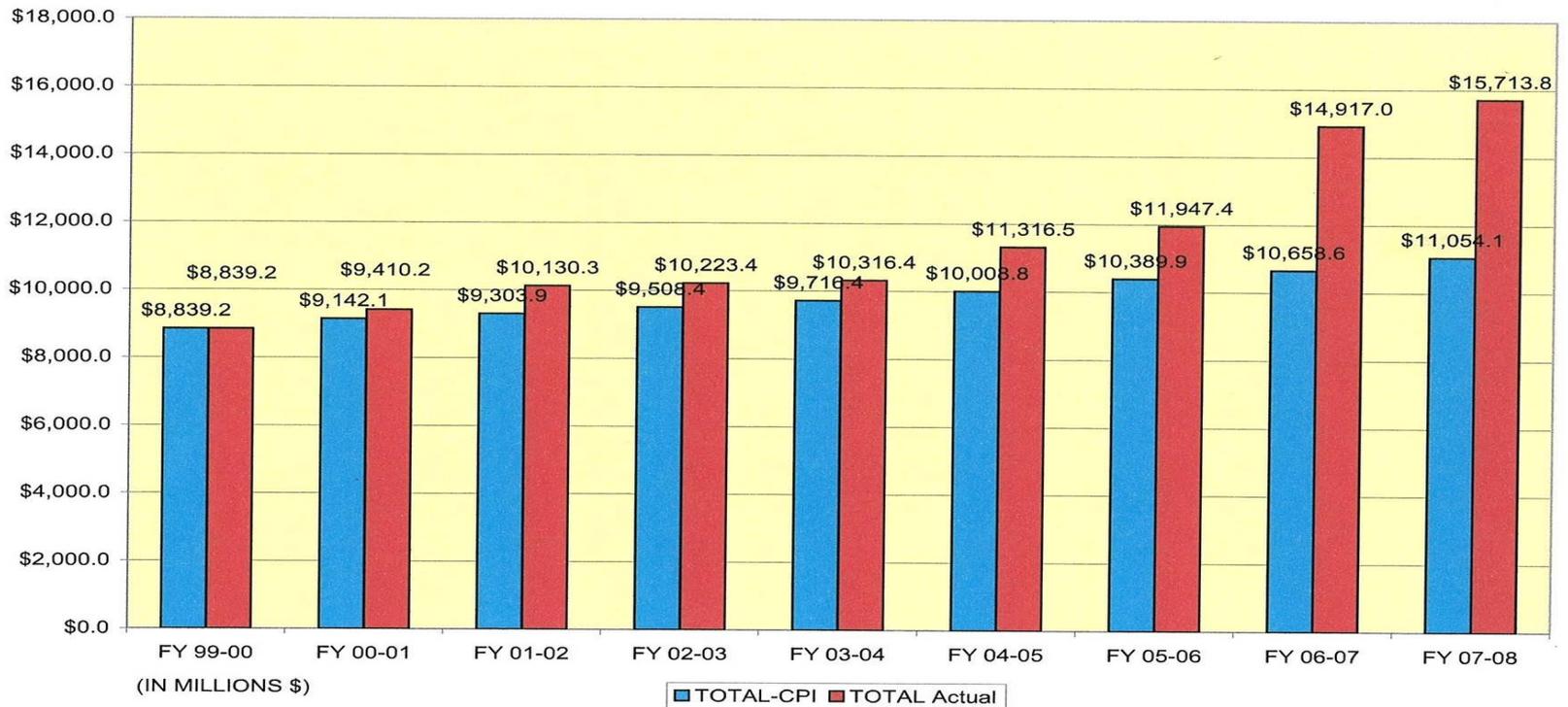
Source: National Association of State Budget Officers				
FY 2008 GENERAL FUND, ACTUAL (\$ IN MILLIONS)				
	Estimated 2008 Population	General Fund	Per Capita GF	Percent of South
LA	4,451,513	\$10,232	\$2,299	131.5%
WV	1,814,873	\$3,929	\$2,165	123.9%
NC	9,247,134	\$18,832	\$2,037	116.5%
VA	7,795,424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

CHALLENGES

Systemic Problems

- Bloated Public Spending

CPI PROJECTED TOTAL STATE SPENDING COMPARED TO ACTUAL STATE SPENDING



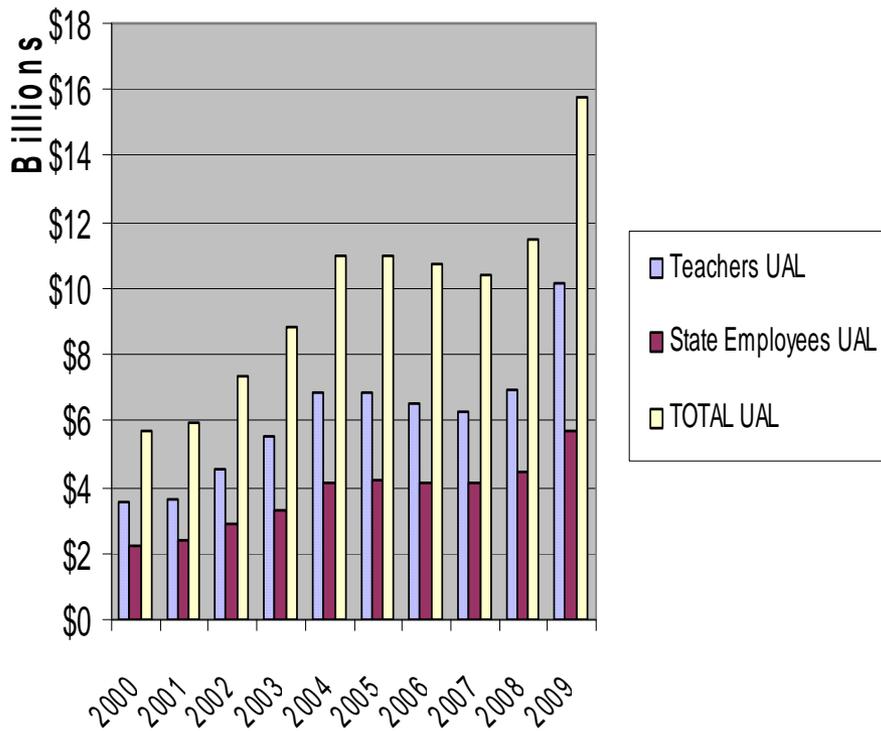
CHALLENGES

Systemic Problems

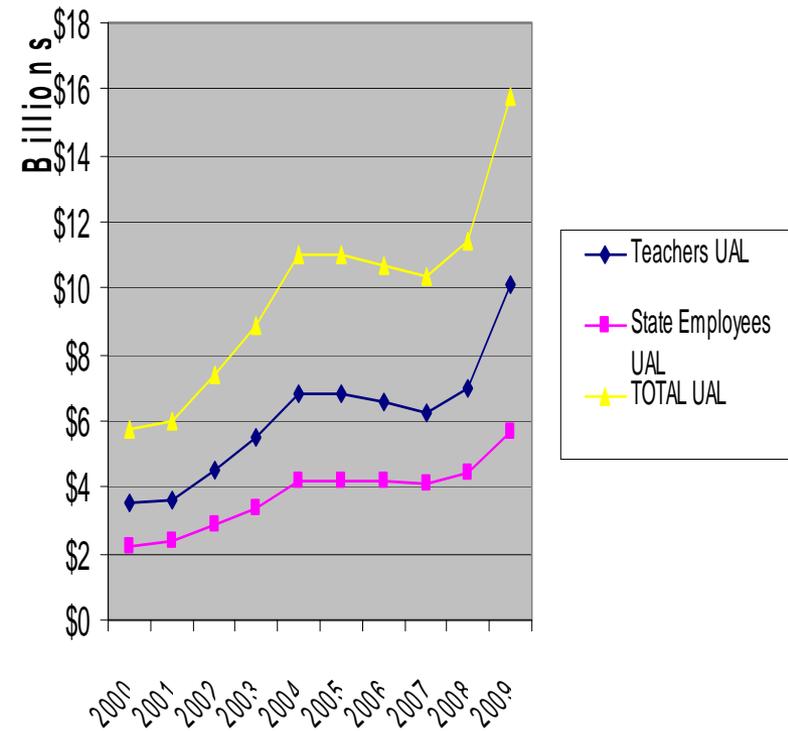
- Bloated Public Spending
- Retirement Losses

HISTORY OF THE RETIREMENT UAL

10-Year History of Retirement UAL



10-Year History of Retirement UAL



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

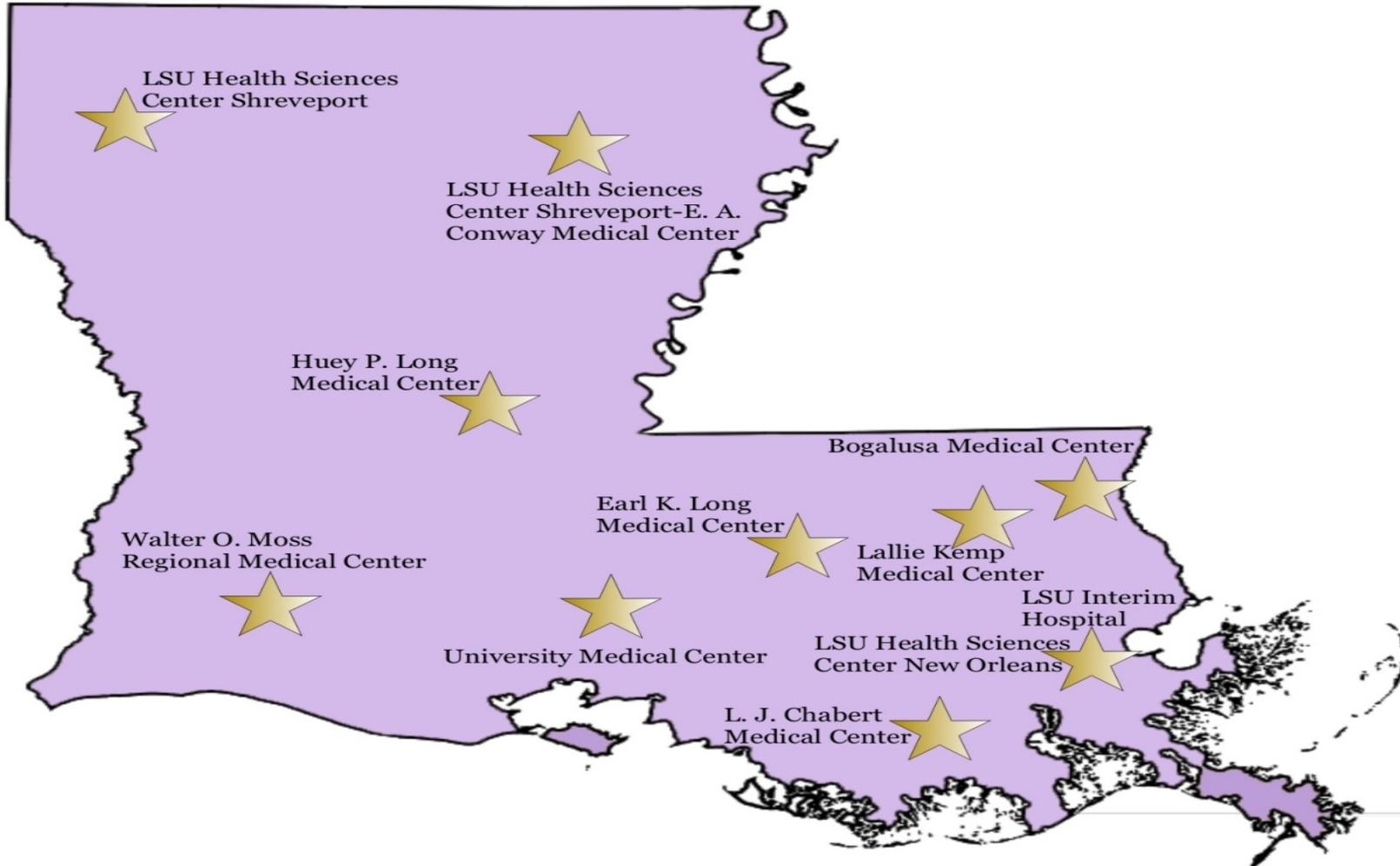
CHALLENGES

Systemic Problems

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

LSU Health System

Hospitals and Health Sciences Centers



CHALLENGES

Systemic Problems

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- 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/apesst07.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.

				Total	July	FTE		% of	March		% of	
				Full-Time	March	2007	Employment	Rank	South	Payroll	Rank	South
	Government	Full-time	Part-time	Equivalent	Pay	Population	Per 10,000 Pop		Average	Per Capita		Average
State	Function	employees	employees	Employment	(whole dollars)							
Alabama	Total	67,889	26,012	76,900	282,428,125	4,627,851	166	5	126%	\$61.03	5	128%
Arkansas	Total	49,335	13,683	54,573	175,443,013	2,834,797	193	2	146%	\$61.89	4	130%
Florida	Total	167,638	44,906	184,982	679,890,237	18,251,243	101	14	77%	\$37.25	14	78%
Georgia	Total	104,764	41,279	119,296	422,871,859	9,544,750	125	12	95%	\$44.30	11	93%
Kentucky	Total	67,758	25,933	75,410	264,806,492	4,241,474	178	4	134%	\$62.43	3	131%
Louisiana	Total	64,325	20,251	70,720	255,412,356	4,293,204	165	6	125%	\$59.49	6	125%
Mississippi	Total	38,527	13,502	43,673	142,316,846	2,918,785	150	8	113%	\$48.76	10	102%
North Carolina	Total	112,177	36,262	125,555	459,457,739	9,061,032	139	10	105%	\$50.71	9	106%
Oklahoma	Total	59,438	23,946	67,164	234,976,054	3,617,316	186	3	140%	\$64.96	1	136%
South Carolina	Total	62,985	16,838	68,698	234,808,517	4,407,709	156	7	118%	\$53.27	8	112%
Tennessee	Total	69,141	25,020	77,268	267,095,743	6,156,719	126	11	95%	\$43.38	12	91%
Texas	Total	227,092	72,060	256,453	955,252,113	23,904,380	107	13	81%	\$39.96	13	84%
Virginia	Total	92,440	46,540	109,490	433,265,366	7,712,091	142	9	107%	\$56.18	7	118%
West Virginia	Total	33,061	10,773	36,446	116,164,095	1,812,035	201	1	152%	\$64.11	2	135%
14 SOUTHERN STATE TOTAL				1,366,628	4,924,188,555	103,383,386	132		100%	\$47.63		100%

EMPLOYMENT SUMMARY

(excludes hospitals)

Calculated LA FTE Employment at Southern Average	56,752
Actual LA 2007 FTE Employment	70,720
LA Revised FTE State Employment	(13,968)
LA Revised March Payroll *	(\$50,446,869)

- 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

LSU, Southern and University of Louisiana Systems

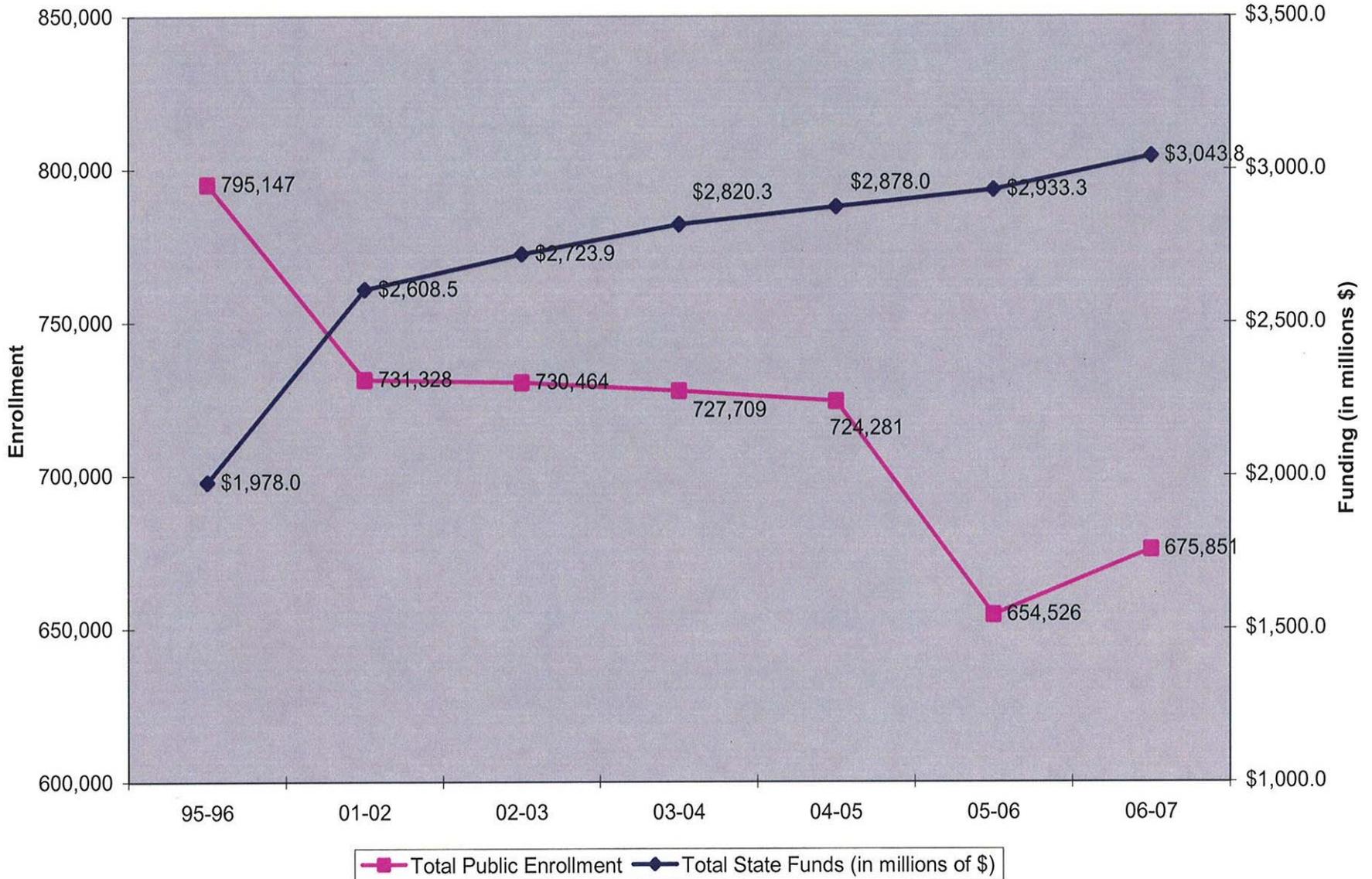
LSU A&M (1)	65.1%
La Tech (2)	52.3%
ULL (2)	46.3%
Northwestern (4)	38.6%
McNeese (4)	37.3%
LSU-S (4)	35.5%
Grambling (4)	35.3%
Southeastern (3)	35.0%
ULM (3)	34.7%
Southern A&M (3)	32.4%
Nicholls (4)	29.7%
LSU-E (9)	28.1%
UNO (2)	23.2%
LSU-A (7)	20.6%
Southern-Shreveport (10)	20.1%
SUNO (5)	9.6%

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- K-12 Enrollment vs. Spending

LA TOTAL K-12 ENROLLMENT AND TOTAL STATE FUNDING



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

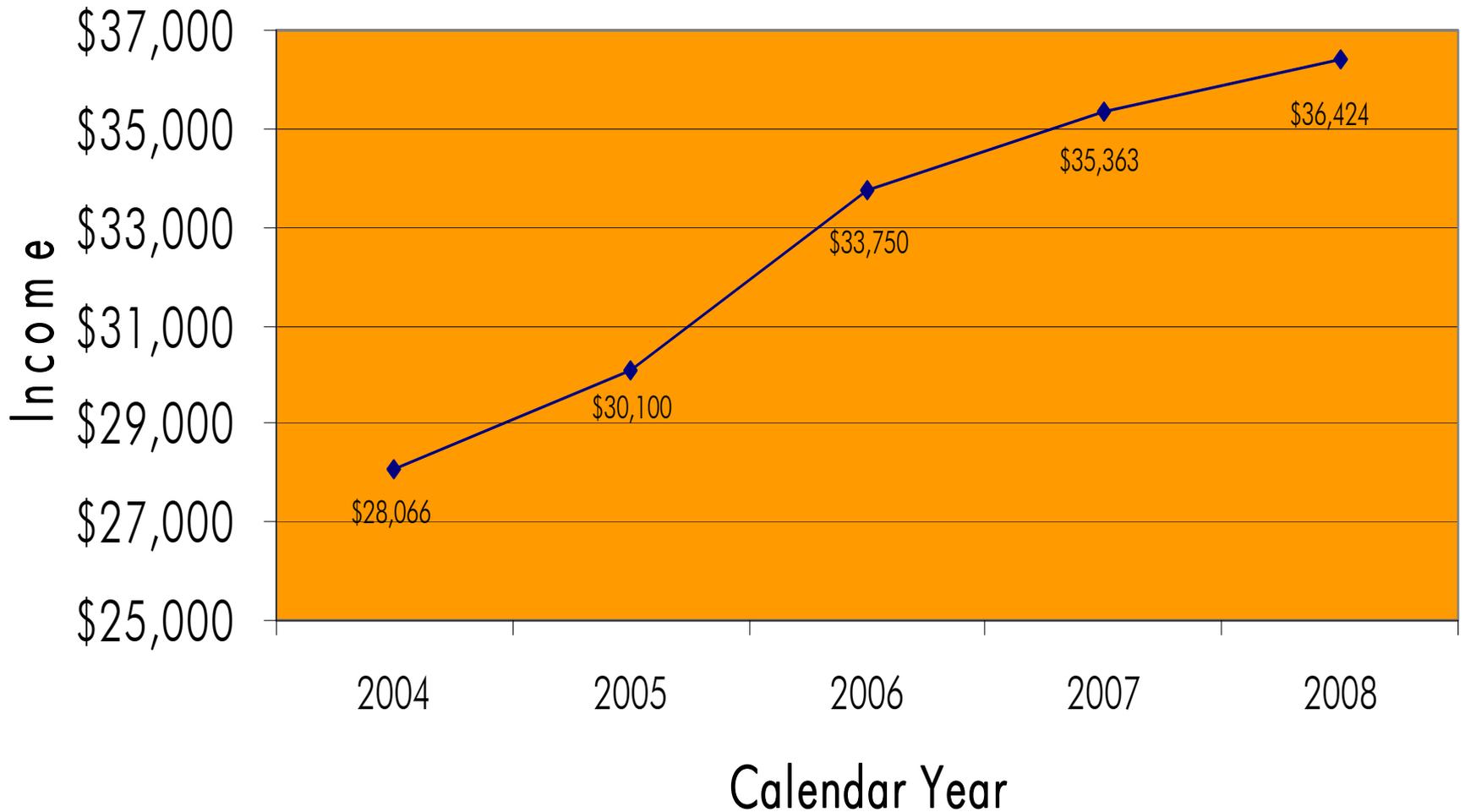
- Through the 4th Q 2009, OCD-DRU Reports \$9.863 Billion Spent of the \$13.41 Billion of CDBG funds (73.55%)
- \$8.18 Billion has been Spent on the Road Home Program
- \$1.683 Billion has been Spent on 29 Other Programs
- \$3.547 Billion Remaining to be Spent

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

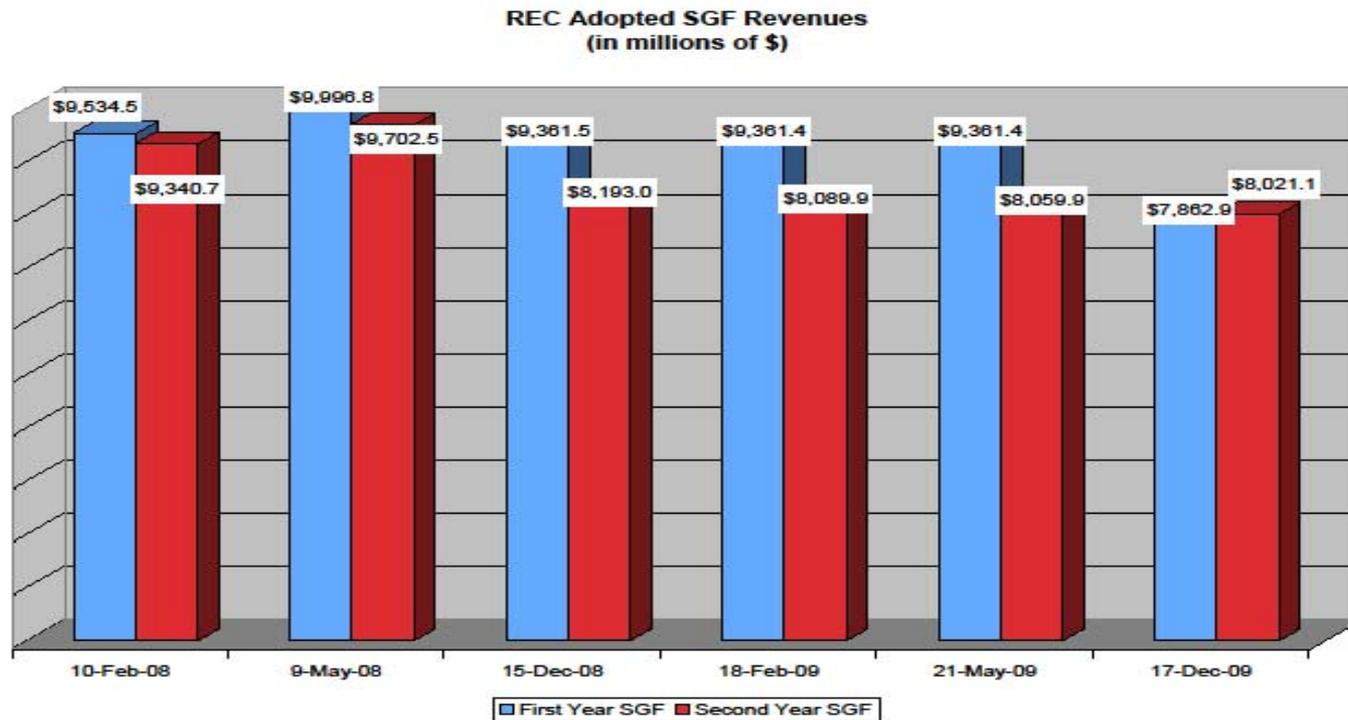
LOUISIANA PER CAPITA PERSONAL INCOME



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



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???



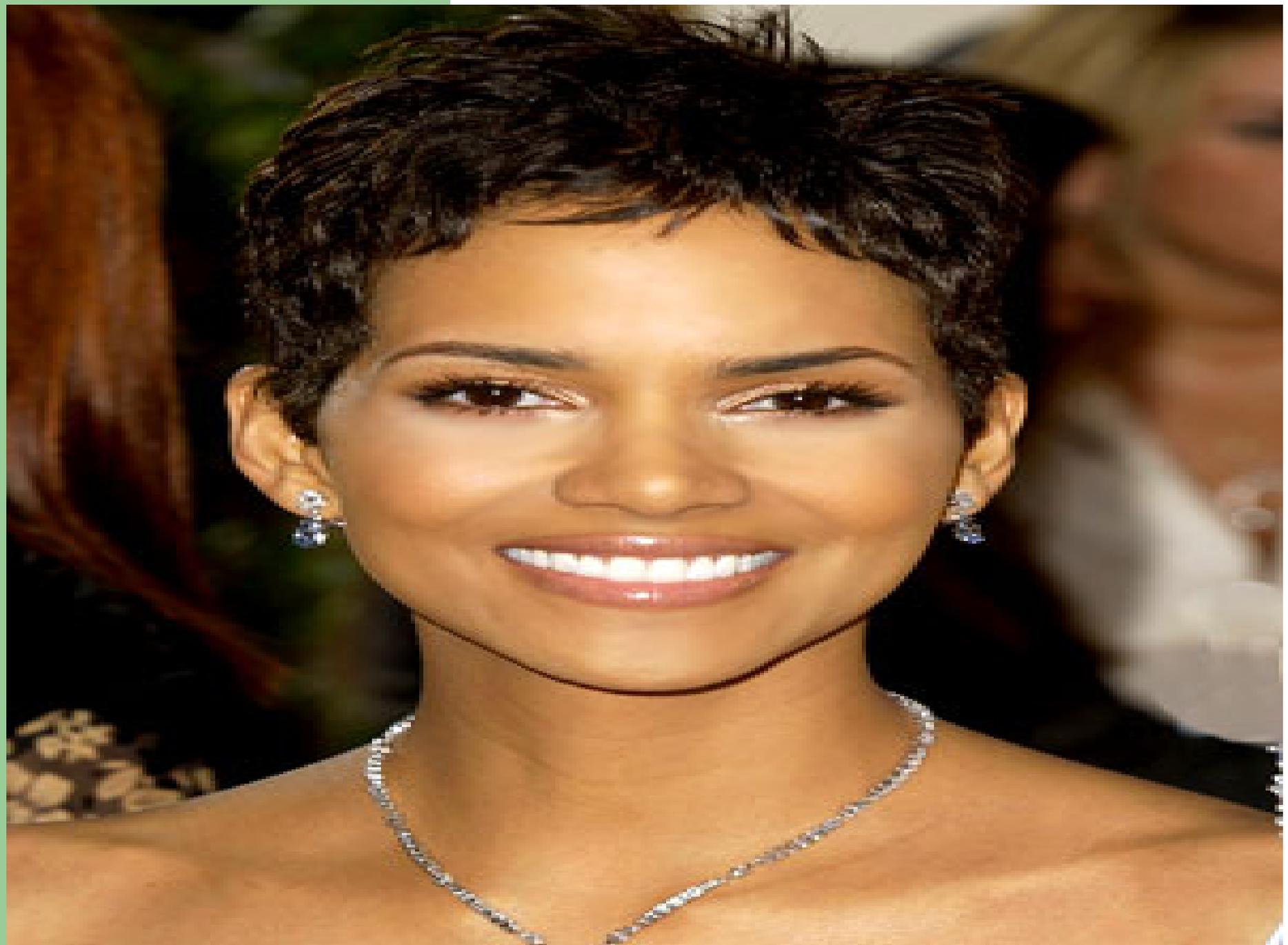


CONFLUENCE OF THE EXTRAORDINARY

- **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

RESTRUCTURING 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

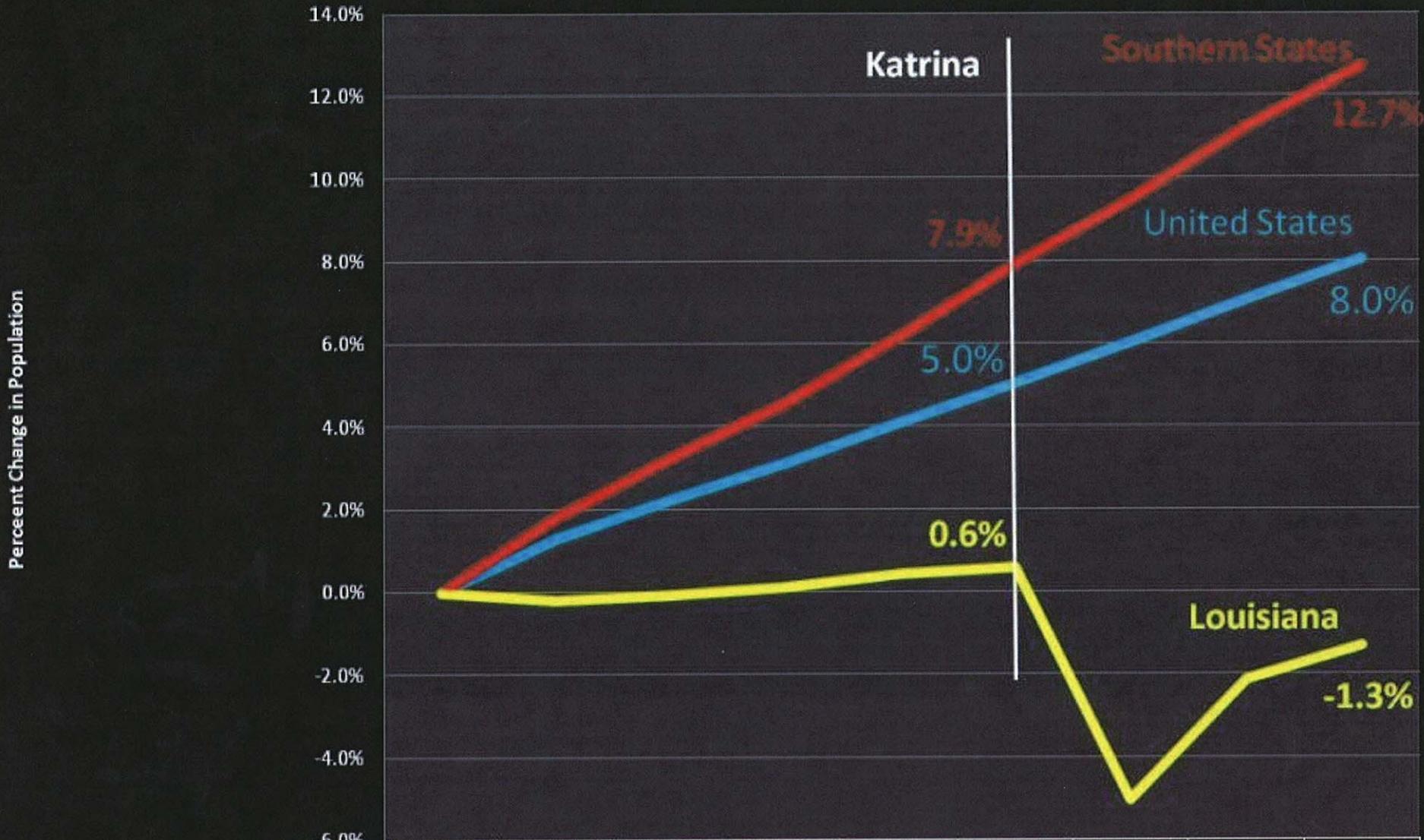
- **Appointing of an Oversight Committee**
- **\$3.457 Remains Unspent**
- **Benefits**
 - Accelerating the Recovery
 - Providing Transparency
 - Making Additional Economic Development Investments



REDISTRICTING



Population Trends in the US, Southern States and Louisiana



	2000	2001	2002	2003	2004	2005	2006	2007	2008
US Change - 2000 to 2008	0.0%	1.3%	2.2%	3.1%	4.1%	5.0%	6.0%	7.1%	8.0%
South Percent Change 2000 to 2008	0.0%	1.8%	3.2%	4.6%	6.2%	7.9%	9.5%	11.2%	12.7%
LA Percent Change 2000 to 2008	0.0%	-0.2%	-0.1%	0.1%	0.4%	0.6%	-5.0%	-2.1%	-1.3%

CONCLUSION

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*